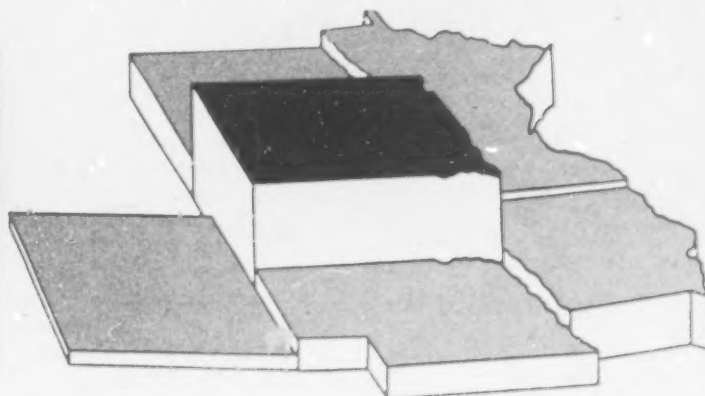


SOUTH DAKOTA Business Review

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General Indicators	Latest Quarter	SOUTH DAKOTA			UNITED STATES		
		Latest Quarter	Year Ago	Percent Change	Latest Quarter	Year Ago	Percent Change
Personal Income (\$ Mil.)	1983-2	6,937	6,517	6.4	2,709,137	2,556,141	6.0
Farm Prop. Income (\$ Mil.)	1983-2	539	484	11.4	23,395	16,460	42.1
Non-ag Employment (Thous.)	1983-3	236	231	2.2	90,118	89,316	0.9
Unemployment Rate (%)	1983-3	4.4	5.0	-12.0	9.1	9.7	-6.2
Total Employment (Thous.)	1983-3	322	323	-0.3	102,932	100,839	2.1

Note: All U.S. data seasonally adjusted except for the unemployment rate and total employment. For South Dakota data only personal income and farm proprietors' income are seasonally adjusted.

PERSONAL INCOME 1982

Claus Brueckner

Introduction

In 1982 total personal income in South Dakota was 6,675 million dollars, (an increase of 300 million dollars) over calendar year 1981. Per capita personal income in South Dakota in 1982 was 9,666 dollars. The 1982 per capita personal income was 421 dollars above the 1981 amount.

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This article presents recent income information obtained from the Bureau of Economic Analysis of the U.S. Department of Commerce. The article considers total personal income, major sources of personal income, and county personal and per capita income. In each case, the most recent data available is used. The sections considering total personal income and major sources of personal income use data from August 1983. The portion on county personal and per capita income uses data from April 1983.

Definitions

Before considering this year's data, some definitions are presented. Personal income is defined as all income received less personal contributions for social insurance. Income can be from private or government wage and salary disbursements, farm or nonfarm proprietors' income, personal dividend income, personal interest income, personal royalties, transfer payments, or other labor income. Some major

(Continued on page 2)

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(Continued from page 1)

components of personal income are defined as follows:

1. Wage and salary disbursements are comprised of wages and salaries inclusive of executives' compensation, commissions, tips and bonuses, and the value of payments in kind which represent income to the recipient.

2. Proprietors' income measures the net business earnings of owners of unincorporated enterprises, consisting almost entirely of sole proprietorships and partnerships, but also including producers' cooperatives and other numerically minor forms of noncorporate business.

3. Transfer payments consist of receipts by persons from government and business (other than government interest) for which no services are currently rendered.

4. Other labor income includes employers' contributions to private pensions, health and welfare, and group insurance plans; compensation for injuries, pay for military reservists, directors' fees, and several minor items.

The reader is advised that in some tables, individual values may not sum to the reported total, due to rounding. Also, the figures currently reported may vary somewhat from those of earlier articles because of updates in the information.

Total Personal Income

Table I shows total personal income for the Plains States, including South Dakota. Further, the totals for the Plains States and the United States are shown.

Table II breaks total personal income down to a per capita basis. In 1982 per capita income in South Dakota was 87 percent of the national average.

Table III shows the percentage changes in total and per capita personal income between 1973 and 1982 and between 1981 and 1982. Between 1973 and 1982 South Dakota's total personal income increased by 95.6 percent and its per capita income went up by 92.3 percent.

Table IV presents total personal income in South Dakota in current and 1967 dollars. Further, the percentage changes from the previous year are shown. The deflated income or income in 1967 dollars is computed by dividing the current dollar income by the Consumer Price Index.

Table IV indicates that though total personal income in current dollars grew by 4.7 percent in 1982, total personal income in 1967 dollars actually declined by 1.3 percent. Figure I takes the data in Table IV and presents it in graphical form.

(Continued on page four)

National Economy

For the fourth quarter 1983 most forecasters now foresee real gross national product expanding at approximately a 6 percent annual rate. Less clear is what might be expected in 1984. The uncertainty is a result of the 2 percent annual rate of growth in the money supply since July. Because of the slowed growth in money supply many forecasters now see a slowing in real growth in the GNP sometime in the second or third quarter of 1984.

In the short term the signals remain strong with personal income reported up 1.2 percent since last month. This was the largest increase in over two years. The rising income was further translated into retail sales with its growth at 1.1 percent in the past month. Though the South Dakota economy has not picked up at the same rate as the national economy, the accelerated growth at the national level can be expected to be felt in the State in the upcoming months and in

Trend of Business

fact to a limited extent is already being felt in some sectors.

South Dakota Economy

On a seasonally adjusted basis all but one of the indicators of business activity maintained by the Business Research Bureau registered slight to moderate gains from the previous quarter. Compared to a year ago business activity is also on the upswing.

In the employment sector the unemployment rate continued its downward movement. Non-agricultural employment increased slightly in the third quarter of 1983 compared to the

second quarter of this year. Construction employment increased more than 10 percent for this same period. Among the major industries, construction showed the greatest growth in September 1983 compared to a year ago.

South Dakota's personal income rose slightly in the second quarter of 1983 compared to the previous quarter. Farm proprietors' income was the only indicator to show decreased activity -- down about 10 percent.

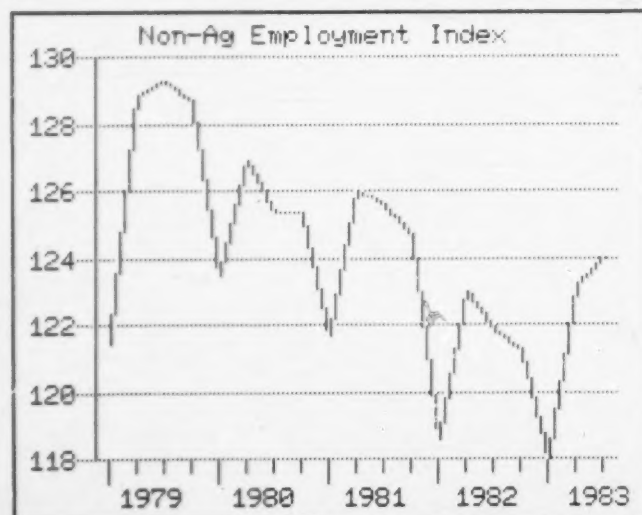
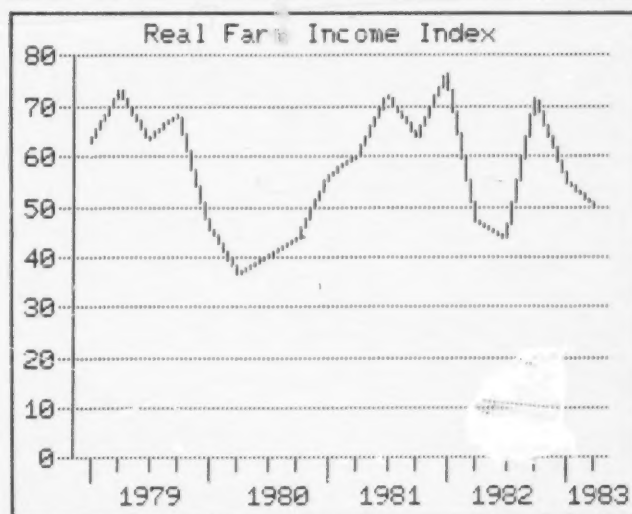
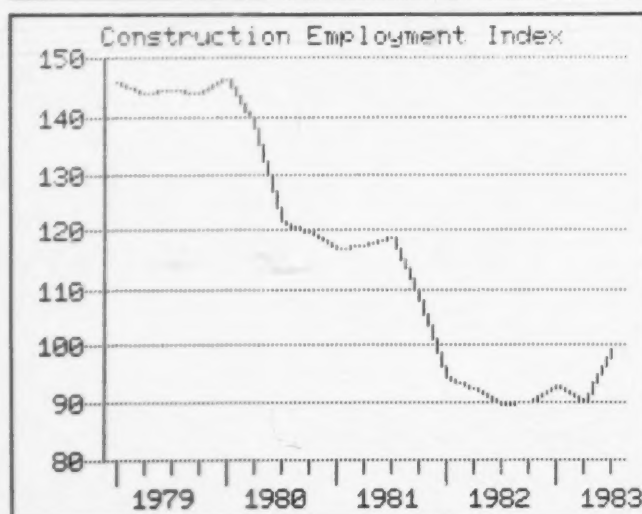
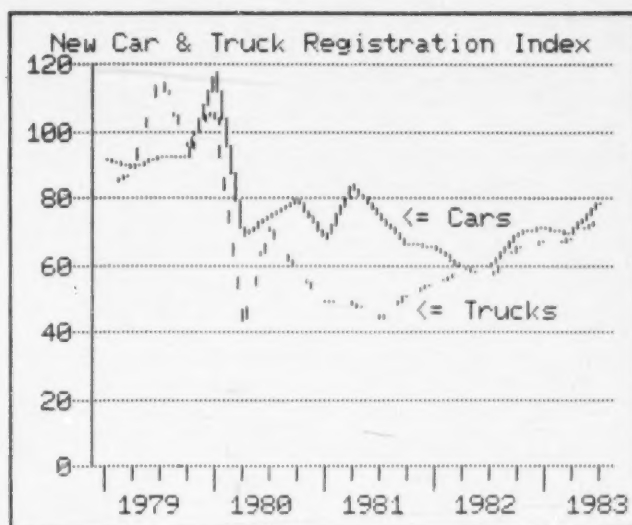
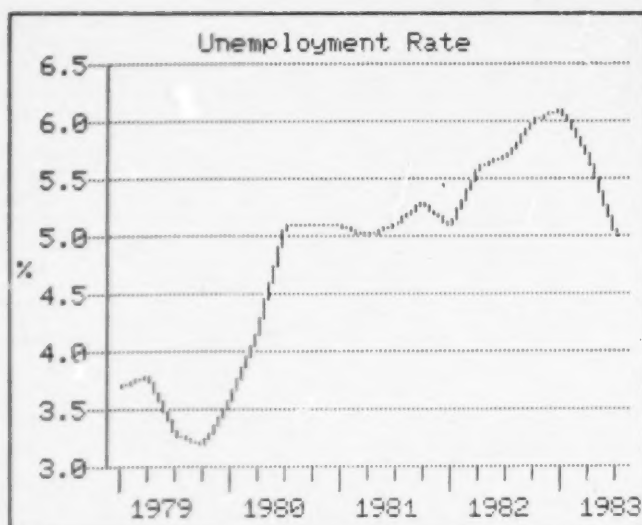
New car and new truck registrations both showed growth in the third quarter of 1983 compared to the second quarter.

SOUTH DAKOTA BUSINESS INDICES
1982-1983, Quarterly
Seasonally Adjusted
(1972=100)

	1982				1983		
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.
Personal Income	127.4	122.7	121.0	127.3	125.1	125.1	--
Farm Proprietors Income	76.6	47.1	43.9	71.8	56.0	50.3	--
Non-Ag. Employment	118.6	123.0	121.9	121.3	118.0	123.1	124.0
Unemployment Rate (%)	5.1	5.6	5.7	6.0	6.1	5.7	5.0
Construction Employment	94.4	92.6	89.6	90.2	93.1	90.3	99.4
New Cars	66.1	59.8	59.8	70.0	71.5	69.9	78.8
New Trucks	55.5	59.1	56.5	66.0	67.6	68.5	73.9

SOUTH DAKOTA BUSINESS & ECONOMIC INDICES

Quarterly Data 1979-1983
Adjusted for Seasonal Variation



(Continued from page 10)

In Table V total disposable personal income is presented. Disposable personal income is defined as personal income less personal income taxes. In 1982 South Dakota's total disposable personal income increased by 264 million dollars over the 1981 amount.

Table VI shows per capita disposable personal income for the Plains States. In 1982 per capita disposable personal income in South Dakota was 370 dollars more than in 1981.

In Table VII, per capita disposable personal income is presented as a percentage of per capita personal income. Note that for the ten year period 1973-1982, South Dakota had the highest average percentage of any of the Plains States.

Major Sources of Personal Income

Table VIII shows the major sources of total personal income for South Dakota for the years 1980, 1981, and 1982. During 1981 and 1982, both farm and nonfarm total personal income increased over the amounts of the previous year.

Personal income is derived as follows: Total earnings by place of work are added to adjustments for residence, income from dividends, income from interest, income from rent, and transfer payments. From this sum personal contributions for social insurance are subtracted to arrive at personal income.

Table VIII indicates that the mining and construction industries were the only industries to show a decrease in total personal income from 1981 to 1982. Personal income in the mining industry went down by 13 million dollars, which is a decrease of 17.8 percent. In the construction industry, personal income dropped by 30 million dollars, or 13.6 percent. In the service industry however, personal income rose by 50 million dollars, an increase of 7.7 percent.

In Table IX the percentage distribution of personal income from industrial sources is shown. In 1982 the three largest industrial sources of personal income were government and government enterprises (19.8 percent), farms (16.7 percent), and services (16.2 percent).

County Personal and Per Capita Income

Table X presents total personal income by county. The county with the largest total personal income in

1981 was Minnehaha. The most recent year shown is 1981 because information on a county basis for 1982 is not yet available.

Table XI shows county per capita personal income. The county with the largest per capita income was

Sully with a 1981 per capita income of 14,867 dollars.

The final table, Table XII, presents the percent changes in total personal income and per capita personal income from 1980 to 1981.

(Continued on page five)

TABLE I
TOTAL PERSONAL INCOME, BY STATES IN PLAINS REGION
(MILLIONS OF DOLLARS)
1973-1982

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
IOWA	15,469	15,844	17,317	18,298	20,315	23,473	25,704	27,193	31,325	31,347
KANSAS	11,931	12,865	13,812	15,056	16,571	18,681	21,782	23,538	26,804	28,325
MINNESOTA	20,371	21,572	23,076	25,013	28,562	31,912	35,935	39,553	43,938	46,184
MISSOURI	22,556	24,157	26,119	28,669	31,951	35,569	39,921	42,934	48,232	50,346
NEBRASKA	8,104	8,278	9,310	9,618	10,480	11,856	13,506	14,361	16,292	16,939
NORTH DAKOTA	4,070	3,886	3,931	3,829	3,982	4,862	5,266	5,728	7,200	7,287
SOUTH DAKOTA	3,413	3,356	3,489	3,503	4,021	4,582	5,154	5,537	6,375	6,675
PLAINS REGION	85,915	89,960	97,054	103,987	115,891	130,935	147,267	158,845	180,165	187,104
UNITED STATES	1,058,902	1,162,203	1,258,643	1,385,201	1,534,708	1,727,032	1,943,983	2,158,685	2,426,901	2,571,592

SOURCE: BUREAU OF ECONOMIC ANALYSIS, U.S. DEPARTMENT OF COMMERCE.

TABLE II
PER CAPITA PERSONAL INCOME BY PLAINS STATES
1973-1982
(DOLLARS)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
IOWA	5,401	5,525	6,101	6,302	6,971	8,041	8,812	9,336	10,749	10,791
KANSAS	5,269	5,673	6,062	6,550	7,149	8,008	9,279	9,942	11,237	11,765
MINNESOTA	5,243	5,534	5,878	6,322	7,177	7,969	8,899	9,688	10,684	11,175
MISSOURI	4,724	5,048	5,447	5,944	6,594	7,302	8,165	8,720	9,764	10,170
NEBRASKA	5,302	5,383	6,040	6,209	6,747	7,596	8,633	9,137	10,331	10,683
NORTH DAKOTA	6,435	6,128	6,157	5,934	6,135	7,472	8,074	8,759	10,911	10,876
SOUTH DAKOTA	5,207	4,937	5,119	5,100	5,837	6,648	7,480	8,028	9,245	9,666
PLAINS REGION	5,167	5,396	5,797	6,166	6,837	7,689	8,614	9,234	10,427	10,789
UNITED STATES	5,010	5,448	5,842	6,367	6,984	7,776	8,657	9,503	10,582	11,107

SOURCE: BUREAU OF ECONOMIC ANALYSIS, U.S. DEPARTMENT OF COMMERCE.

TABLE III
PERCENT CHANGES IN PER CAPITA AND TOTAL PERSONAL INCOME
PLAINS STATES

	% Change in Total Personal Income 1982/1973	% Change in Per Capita Income 1982/1973	% Change in Total Personal Income 1982/1981	% Change in Per Capita Income 1982/1981
IOWA	102.6	99.8	0.1	0.4
KANSAS	137.4	123.2	5.7	4.7
MINNESOTA	126.7	113.1	5.1	4.6
MISSOURI	123.2	115.3	4.4	4.2
NEBRASKA	109.0	101.5	4.0	3.4
NORTH DAKOTA	79.0	69.0	1.2	-0.3
SOUTH DAKOTA	95.6	85.6	4.7	4.6
PLAINS REGION	117.8	108.8	3.9	3.5
UNITED STATES	142.9	121.7	6.0	5.0

SOURCE: COMPILED FROM TABLES I AND II.

TABLE IV
TOTAL PERSONAL INCOME IN SOUTH DAKOTA
CURRENT AND 1967 DOLLARS
1973-1982

	In Current Dollars*	% Change From Previous Year	In 1967 Dollars*	% Change From Previous Year
1973	3413		2564	
1974	3356	-1.7	2272	-11.4
1975	3489	4.0	2164	-4.8
1976	3503	0.4	2055	-5.0
1977	4021	14.8	2215	7.8
1978	4582	14.0	2345	5.9
1979	5154	12.5	2371	1.1
1980	5537	7.4	2244	-5.4
1981	6375	15.1	2340	4.3
1982	6675	4.7	2309	-1.3

*In Millions

TABLE V

TOTAL DISPOSABLE PERSONAL INCOME BY PLAINS STATES
1973-1982
(MILLIONS OF DOLLARS)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
IOWA	13,555	13,474	14,937	15,556	17,273	20,071	21,770	22,909	26,508	26,540
KANSAS	10,400	11,078	12,014	13,054	14,239	16,052	18,588	19,979	22,545	23,906
MINNESOTA	17,573	18,139	19,518	21,058	24,022	26,754	29,835	32,928	36,545	38,466
MISSOURI	19,517	20,755	22,710	24,669	27,470	30,413	33,977	36,474	40,811	42,624
NEBRASKA	7,094	7,122	8,162	8,353	8,944	10,165	11,535	12,200	13,957	14,576
NORTH DAKOTA	3,712	3,420	3,457	3,344	3,487	4,239	4,607	4,954	6,148	6,327
SOUTH DAKOTA	3,113	3,006	3,155	3,114	3,629	4,114	4,615	4,921	5,688	5,952
PLAINS REGION	74,964	76,965	83,952	89,149	99,063	111,808	124,926	134,365	152,198	158,390
UNITED STATES	909,247	993,076	1,090,778	1,189,607	1,309,219	1,469,222	1,643,846	1,822,850	2,040,564	2,170,556

SOURCE: BUREAU OF ECONOMIC ANALYSIS, U.S. DEPARTMENT OF COMMERCE.

TABLE VI

PER CAPITA DISPOSABLE PERSONAL INCOME BY PLAINS STATES
1973-1982
(DOLLARS)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
IOWA	4,733	4,698	5,184	5,357	5,927	6,876	7,464	7,865	9,097	9,136
KANSAS	4,593	4,885	5,272	5,679	6,143	6,881	7,919	8,439	9,451	9,929
MINNESOTA	4,523	4,653	4,972	5,322	6,036	6,681	7,388	8,066	8,886	9,307
MISSOURI	4,088	4,331	4,736	5,114	5,670	6,243	6,949	7,408	8,261	8,610
NEBRASKA	4,641	4,631	5,295	5,393	5,754	6,513	7,374	7,762	8,850	9,193
NORTH DAKOTA	5,070	5,393	5,414	5,182	5,371	6,515	7,065	7,575	9,311	9,443
SOUTH DAKOTA	4,585	4,422	4,630	4,534	5,267	5,969	6,698	7,135	8,249	8,619
PLAINS REGION	4,508	4,617	5,014	5,286	5,845	6,566	7,307	7,811	8,809	9,133
UNITED STATES	4,302	4,655	5,063	5,468	5,957	6,615	7,320	8,025	8,897	9,375

SOURCE: BUREAU OF ECONOMIC ANALYSIS, U.S. DEPARTMENT OF COMMERCE.

TABLE VII

PER CAPITA DISPOSABLE PERSONAL INCOME
AS A PERCENTAGE OF PER CAPITA PERSONAL INCOME
PLAINS STATES

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	Avg.	RANK
IOWA	87.6	85.0	85.0	85.0	85.0	84.7	84.2	84.6	84.7	85.1	84.6	6
KANSAS	87.2	86.1	87.0	86.7	85.9	85.9	85.3	84.9	84.1	84.4	85.8	4
MINNESOTA	86.3	84.1	84.6	84.2	84.1	83.8	83.0	83.3	83.2	83.3	84.0	7
MISSOURI	86.5	85.8	86.9	86.0	86.0	85.5	85.1	85.0	84.6	84.7	85.6	5
NEBRASKA	87.5	86.0	87.7	86.9	85.3	85.7	85.4	85.0	85.7	86.1	86.1	3
NORTH DAKOTA	91.2	88.0	87.9	87.3	87.2	87.2	87.5	86.5	86.8	87.5	87.5	2
SOUTH DAKOTA	88.1	89.6	90.4	88.9	90.2	89.8	89.5	88.9	89.2	89.2	89.4	1
PLAINS REGION	87.2	85.6	86.5	85.7	85.5	85.4	84.8	84.6	84.5	84.7	85.5	
UNITED STATES	85.9	85.4	86.7	85.9	85.3	85.1	84.6	84.4	84.1	84.4	85.2	

SOURCE: COMPILED FROM TABLES II AND VI.

TABLE VIII

SOUTH DAKOTA PERSONAL INCOME BY MAJOR SOURCES
1980, 1981, 1982
(MILLIONS OF DOLLARS)

	1980	1981	1982
TOTAL PERSONAL INCOME BY PLACE OF RESIDENCE	5,537	6,375	6,675
Farm	461	703	720
Nonfarm	5,076	5,672	5,954
DERIVATION OF TOTAL PERSONAL INCOME			
Total Earnings by Place of Work	3,786	4,182	4,306
Less: Personal Contributions for Social Insurance	226	259	275
Plus: Adjustment for Residence, Dividends, Interest, Rent, Transfer Payments	1,977	2,452	2,644
EARNINGS BY PLACE OF WORK			
Wages and Salaries	2,786	2,991	3,089
Other Labor Income	232	260	287
Proprietors' Income	767	931	930
Farm	376	617	619
Nonfarm	391	314	310
EARNINGS BY INDUSTRY			
Farm	461	703	720
Nonfarm	3,324	3,489	3,585
Private	2,574	2,673	2,732
Agricultural Services, Forestry, Fisheries and Other	18	18	19
Mining	65	73	60
Construction	242	220	190
Manufacturing	423	453	460
Nondurables	220	235	242
Durables	202	218	218
Transportation & Public Util.	302	319	330
Railroads	31	32	30
Trucking and Warehousing	119	115	114
Water Transportation	0.2	0.1	0.1
Other Transportation	21	21	23
Communication	71	80	84
Electric, Gas and Sanitary Serv.	59	71	78
Wholesale Trade	305	316	320
Retail Trade	424	432	439
Finance, Insurance & Real Estate	187	196	217
Banking	70	78	84
Other Finance, Insurance & Real Est.	117	118	133
Services	607	647	697
Hotels & Other Lodging Places	26	26	29
Amusement & Recreation, Inc. motion pictures	14	15	16
Private Households	16	17	18
Personal Services	31	30	32
Business & Repair	75	80	84
Professional, Social, Related & misc. services	446	477	519
Government & Govt. Enterprises	750	805	853
Federal, Civilian	199	211	216
Federal, Military	97	108	121
State and Local	454	486	516

SOURCE: BUREAU OF ECONOMIC ANALYSIS, U.S. DEPARTMENT OF COMMERCE.

NOTE: SUMMING INDIVIDUAL ITEMS MAY NOT EQUAL TOTALS, DUE TO ROUNDING.

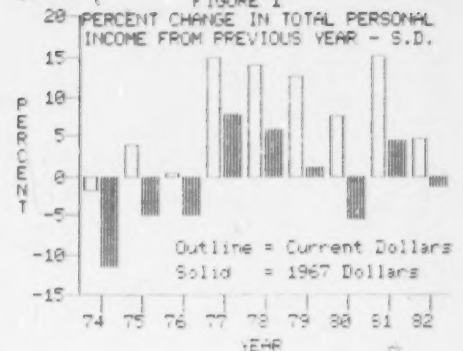
FIGURE 1
PERCENT CHANGE IN TOTAL PERSONAL INCOME FROM PREVIOUS YEAR - S.D.

TABLE IX

PERCENTAGE DISTRIBUTION OF TOTAL PERSONAL INCOME
FROM INDUSTRIAL SOURCES
SOUTH DAKOTA
1980, 1981, 1982
(MILLIONS OF DOLLARS)

	1980	1981	1982
Total Labor and Proprietors' Income	4,182	4,182	4,182
Agricultural Services, Forestry, Fisheries, Other	18	18	18
Mining	65	73	60
Construction	242	220	190
Manufacturing	423	453	460
Transportation and Public Util.	302	319	330
Wholesale Trade	305	316	320
Retail Trade	424	432	439
Finance, Insurance & Real Estate	187	196	217
Services	607	647	697
Government & Govt. Enterprises	750	805	853

SOURCE: COMPILED FROM TABLE VIII.

NOTE: SUMMING INDIVIDUAL ITEMS MAY NOT EQUAL TOTALS, DUE TO ROUNDING.

TABLE X

COUNTY TOTAL PERSONAL INCOME
SOUTH DAKOTA COUNTIES
(MILLIONS OF DOLLARS)

	1979	1980	1981	1981 RANK
Aurora	22.2	21.9	22.0	54
Beadle	156.4	165.9	182.7	6
Bennett	18.2	17.7	18.9	59
Bon Homme	54.18	53.2	63.8	25
Brookings	167.0	169.3	199.2	4
Brown	298.9	319.9	367.8	3
Brule	41.7	43.5	45.6	31
Butte	9.5	10.1	9.8	66
Campbell	16.9	18.7	18.9	59
Charles Mix	58.9	60.3	69.3	22
Clark	34.7	36.6	39.4	39
Clay	89.1	89.1	109.6	13
Codington	151.5	161.4	184.5	5
Corson	24.7	27.7	28.6	47
Custer	35.1	37.1	41.3	35
Davison	133.5	143.5	158.6	9
Day	52.0	53.9	62.4	26
Deuel	34.1	27.7	42.1	34
Dewey	31.3	33.8	34.7	44
Douglas	26.2	24.6	28.2	48
Edmunds	31.8	34.8	35.4	43
Fall River	70.5	75.0	81.4	17
Faulk	26.8	27.1	28.1	50
Grant	66.6	65.2	79.0	19
Gregory	41.1	41.1	45.5	32
Haakon	23.2	24.3	25.0	52
Hamlin	34.2	28.8	40.6	36
Hand	38.2	38.4	39.6	30
Hanson	20.0	15.5	20.4	55
Harding	13.0	14.9	15.8	62
Hughes	115.8	130.4	141.4	11
Hutchinson	66.9	57.7	70.4	21
Hyde	16.1	16.8	16.2	61
Jackson	18.4	18.6	19.3	58
Jerauld	17.9	18.6	19.6	56
Jones	11.8	11.4	12.0	65
Kingsbury	51.2	48.3	58.9	29
Lake	76.8	68.3	86.3	18
Laurens	130.6	143.6	163.1	8
Lincoln	102.6	89.5	117.5	12
Lynne	27.3	28.3	29.2	46
McCook	45.2	36.1	47.9	30
McPherson	28.5	31.9	31.9	45
Marshall	37.0	37.4	44.9	33
Meade	134.3	145.5	156.8	10
Mellette	13.1	13.2	12.4	64
Miner	26.7	22.6	27.6	51
Minnehaha	979.7	1,047.0	1,170.9	1
Moody	51.7	42.2	65.0	24
Penningson	569.6	618.0	682.1	2
Perkins	33.6	37.2	39.7	37
Potter	31.9	34.6	35.5	42
Roberts	65.0	65.8	79.1	13
Sanborn	22.2	20.5	22.7	53
Shannon	30.6	33.5	35.6	41
Spiro	66.0	64.2	75.8	20
Stanley	17.1	19.3	19.6	56
Sully	23.4	28.3	28.2	48
Todd	34.9	34.7	37.0	40
Tripp	55.8	56.4	60.7	28
Turner	82.3	70.8	89.8	15
Union	89.0	83.7	109.4	14
Valworth	51.8	57.2	61.0	27
Yankton	140.7	153.1	174.9	7
Ziebach	11.5	12.7	12.7	63

SOURCE: BUREAU OF ECONOMIC ANALYSIS, U.S. DEPARTMENT OF COMMERCE.

CENSUS BRIEFS

Did you know South Dakota ranked . . .

... 45th in total population, with 690,768. California was the largest state (23,667,902) and Alaska the smallest (401,851).

... 3rd in rural population percentage (53.58%). The United States is 26.26% rural, with Vermont being the most rural state (66.20%) and California the least rural (8.70%).

... 46th in persons per square mile (9.1). New Jersey topped the list with 996.0 persons per square mile. Alaska has 0.8 persons per square mile, making them the least populated per square mile. The United States has an average of 65.4 persons per square mile.

... 5th in percent of persons 65 years old and over; tied with Missouri (13.18%). Florida, retirement haven, came in first with 17.29% of their population 65 years and older. Alaska is rated fiftieth with 2.78% 65 years and older. In the United States 11.26% of the population is 65 years and older or roughly one person in nine.

... 48th in median household in-

come (\$13,156). Only Arkansas (\$12,214) and Mississippi (\$12,105) were lower. Alaska had the highest median household income with \$25,421. The United States as a whole had \$16,850 as its median household income.

... 8th in percent of families below the poverty level; tied with Tennessee (13.05%). Mississippi has the largest percent of families below poverty (18.68%) and Wyoming the lowest (5.85%). For the United States, 9.58% was the percent of families below poverty.

... 42nd in median value of owner-occupied housing units (\$36,600). The United States has a median of \$47,300, with Hawaii topping the list at \$119,400 and Arkansas filling in the bottom slot at \$31,100.

... 50th in mean travel time to work (12.9 minutes). It took New Yorkers the longest time to get to work (29.4 minutes). The United States had a mean time of 21.7 minutes to get to work.

Source: U. S. Department of Commerce, Bureau of the Census, Summary Tape File 3C, 1980 Census of Population and Housing.

Interest Rates and Home Prices

Jack Verschuur

In today's environment of rapidly changing interest rates, potential buyers and sellers of homes need to understand the relationship between expected interest rates and changes in home prices. The focus of this paper is to isolate and look at the impact of changes in the cost of credit on home prices. The impact is exemplified using an average South Dakotan's income and home value. An explanation of today's market environment is followed by concluding strategies for potential buyers and sellers of homes based on possible interest rate outcomes. Indeed, in order to fully understand price and quantity changes in these markets, it is important to look at both supply and demand side

determinants. A full analysis of demand and supply is beyond the scope of this article, but a few brief comments on the determinants of supply and demand are made in the following paragraph.

Demand side determinants typically include the price of the home, population changes, per capita disposable income, credit availability, the cost of the credit, and the current stock of housing. On the supply side the price of the home, construction costs, costs of credit and depreciation rates in the case of speculative building all may be included as determinants. Through the dynamics of changes in these factors and their effects upon the supply and demand housing availability and prices will be determined.

Interest Rates

Although a number of the factors

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already mentioned can be at work in any given market at the same time, significant supply and demand influences tend to be longer-term in nature. Longer term interest rate, on the other hand, can change dramatically over the course of a month or two and are largely outside the control

of the housing market participants. Interest rates are a major short-term determinant of home prices.

Recent nominal interest rates for all loans, including home loans, have been high relative to historical rates. Real interest rates, the nominal rate adjusted for inflation, have soared

since 1980. See Graph I. This situation might lead one to expect real interest rates to decline in the period ahead. On the other hand, one may forecast higher inflation and higher nominal interest rates based on the high percentage growth rate in the M-1 money supply over the past year. See Graph II.

Since it is so difficult to accurately forecast interest rates, it might be more useful to show where we are now and how increases or decreases in rates might affect home prices. We will assume all the other factors that affect prices are held constant and the interest rate is the only factor that varies.

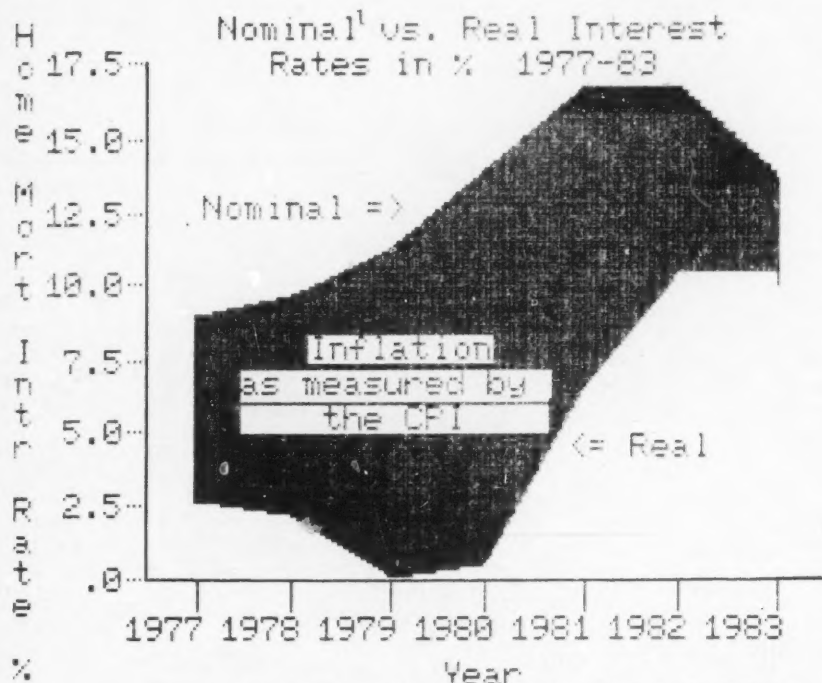
The Average South Dakotan

The average family income in S.D. is approximately \$23,200 per year¹ or \$1,933 per month. Two tests are frequently used to determine the upper limits of home purchasing power. The first test concerns the maximum dollar amount that should be spent on the purchase price of a home. The general rule is that the price should not exceed 2-1/2 times the annual gross income of the prospective buyer. In the average South Dakotans' case, this would mean a home valued at \$58,000. It is interesting to note that the estimated median-valued home in the central cities of S.D. is \$57,700.²

The second test is the 25 percent rule, which states that the monthly house payment (principal, interest, taxes and insurance = PITI) should not exceed 25 percent of the monthly gross income. This formula differs from the first in that it is sensitive to interest-rate fluctuations. Interest rates affect the monthly cost of a home and thereby the maximum amount one may spend.

Let's continue with the example of the medium-valued home in South Dakota which costs about \$57,700. If a purchaser were to put 10 percent down (\$5,770), he would have to borrow \$51,930. The current FHA rate is 13 percent, which means that a 30-year mortgage would cost \$574 per month for principal and interest. To get the total monthly PITI we must add property taxes and insurance, which are estimated at \$96 and \$14 per month, respectively.³ This makes the PITI \$684 per month. Using the 25 percent rule, the purchaser would need an annual income of \$32,832 to be able to afford the median home under the conditions listed above.

Graph 1

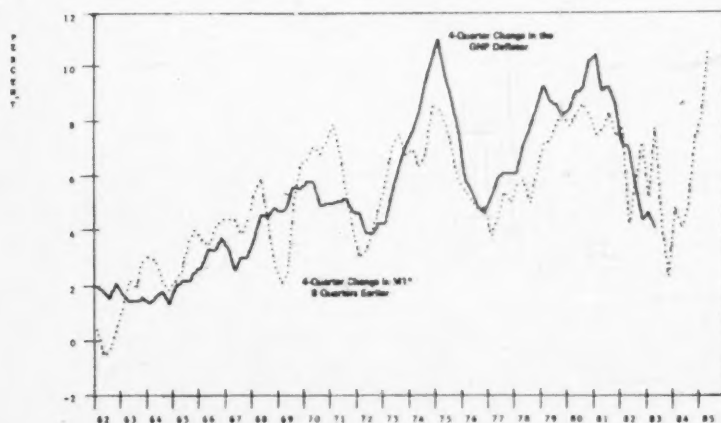


Source: Citibank Economic Forecast Service, Economics Dept. New York, NY

¹Federal Home Loan Bank Board-Mortgage Release, Table 1. Effective interest rate on commitments for 75%, 25 year home mortgages. Includes all origination fees and points. Not seasonally adjusted.

GRAPH 2

MONETARY GROWTH TRENDS SUGGEST A CYCLICAL TROUGH IN INFLATION IN 1983 WITH A SIGNIFICANT REACCELERATION BY 1985



Source: Federal Reserve, Commerce Department; Bear Stearns Economic Update

*M1 on a shift-adjusted basis since 1981.

You will recall that the estimated family income in South Dakota is only \$23,200 annually, which explains why the average South Dakota family cannot afford to own their own home at today's prices.

If the interest rates were to rise to 15 percent, while holding the price constant, the new principal and interest cost would be \$657 per month. Adding taxes and insurance, which would stay the same, would increase the cost to a \$767 per month PITI. Using the 25 percent rule, the prospective buyer would now need an annual income of \$36,816, an increase of 12 percent over the \$32,832 needed at today's interest rates.⁴

TABLE 1

Monthly payments holding purchase price, R.E. taxes, and insurance payments constant while varying interest rates

Interest Rate	\$51,500 30-yr. Mortgage Principal & Interest/Mo.	R.E. Taxes & Insurance/Mo.	Total PITI/Mo.	Annual Income \$/yr. Income
8	\$381	\$110	\$491	\$23,200
9	418	110	528	25,000
10	470	110	580	27,000
11	528	110	638	29,000
12	594	110	704	32,832
13	667	110	777	36,816

From the seller's perspective, if the potential buyer could not afford the higher monthly payments, the seller could lower the price to close the sale. To reduce monthly payments to approximately the original payments, it would necessitate lowering the price of the house to \$51,700.⁵ This would be a 10 percent reduction from today's estimated median price of \$57,700.

TABLE 2

New Price Holding Monthly PITI Constant while varying interest rates

Interest Rate	New Price	Amount Mortgage \$ New Price	Principal & Interest \$/mo. New Price	Taxes Insurance \$/mo. New Price	New Price in 1980's \$	Total PITI
9	\$70,000	\$67,500	\$543	\$125	\$18	\$684
11	66,000	63,000	562	129	16	687
13	57,700	51,000	574	96	14	684
15	51,700	46,500	580	96	12	684

What occurs if the interest rate is reduced? Calculations based on interest rates of 11 percent and 9 percent result in PITI's of \$605 and \$528 per month, respectively. Using the 25 percent rule, the prospective buyer must now have annual incomes of \$29,040 and \$25,344, respectively. These would be respective decreases of 12 percent and 23 percent from our standard of \$32,832.

Looking at it in another way, if the prospective buyer could afford a monthly PITI of \$684 and the interest rate falls to 11 percent and 9 percent, the seller could raise the price of the house to \$65,600 or \$75,000, respectively, and net himself increases of 14 percent or 30 percent.

In the examples above, holding the price steady and allowing the payments to decrease, the average family with an income of \$23,200 has not been able

to afford the average house even when interest rates are reduced to 9 percent. A 9 percent loan is four percent below the current FHA housing loan rate of 13 percent.⁶ This fact might suggest that home prices are substantially over-valued given today's financial market conditions. The conventional way out of this dilemma has been to hold housing prices constant while incomes catch up. The recession over the past two years has inhibited this solution, however.

Some financial institutions have eased their policy on the 25 percent rule and are allowing PITI's up to 30 percent of gross family income. Consequently, the income requirements are lowered to \$21,120 at 9 percent and \$24,200 at 11 percent. Under the liberalized 30 percent PITI rule, the average family would be able to purchase the average home at an interest rate of approximately 10-3/8 percent. Under the 25 percent PITI rule, the interest rate would have had to decrease below 8 percent. Housing prices might reasonably be expected to rise if interest rates decrease below such rates.

The next section of this article will discuss strategies that buyers or sellers might consider given the various interest rate possibilities that have been discussed.

Strategies for the Buyer

If interest rates are going up and are expected to remain at a higher rate, the potential buyer should negotiate the best price possible and buy now. He should seek financing at a fixed rate of interest. High risk takers should wait for the rates to go up, negotiate a lower price on the house and arrange short-term financing with the seller at the best possible rate. He would hope that rates would come back down, at which time he would refinance long-term. The risk is that rates go up and stay up. This may force the buyer to refinance at the higher rate, possibly at a rate higher than he can afford.

If interest rates are declining, potential buyers should buy now at the best price they can negotiate and close as slowly as possible to attain the lowest interest rate possible. They could also take a short-term owner financed mortgage now and convert it to a long-term mortgage when the market bottoms out. However, both of these strategies run the risk of higher interest rates.

Strategies for Sellers

If a potential seller expects interest rates to go up substantially, he should lower his price to make the sale as soon as possible. A public auction might be a direct way to do this. Waiting will only result in a lower price in addition to the lost opportunity return on the money he could otherwise have invested elsewhere.

If interest rates are expected to go lower, however, the longer he waits, the better price he might receive. This would be especially true if the interest rate reduction was enough to clear the existing supply of homes off the market. In these circumstances, prices could rise rapidly as demand outstrips supply in an environment of rising disposable incomes.

FOOTNOTES

¹The average South Dakotan's family income in the 1980 Census was \$18,238. Personal incomes have risen 27.2% from the 4th quarter of 1979 to the 4th quarter of 1982. 127% of \$18,238 equals my estimate of \$23,200.

²The median valued home in the central cities of South Dakota in the 1980 census was \$47,500. Citibank's economic forecast estimates used home prices in the United States will rise 21.5% from 1979 through 1983. 121.5% of \$47,500 equals my estimate of \$57,700.

³In Sioux Falls, the real estate taxes are calculated as follows:

$$\begin{aligned}
 &\$57,700 \\
 &\times \quad 70\% \text{ of market value} \\
 &\$40,390 \\
 &\times \quad .43 \text{ taxable} \\
 &\$17,367.7 \\
 &\times \quad .06618 \text{ tax rate} \\
 &\$1,149 \\
 &+ \quad 12 \\
 &\$ \quad 96.00 \text{ mo.}
 \end{aligned}$$

or to get the monthly rate, multiply the market value by .00166.

$$\begin{aligned}
 &\$57,700 \\
 &\times \quad .00166 \\
 &\$ \quad 96
 \end{aligned}$$

In Vermillion, a homeowner's 3 policy with a \$100 deductible on a \$58,000 home costs \$164 annually. On a monthly basis this is \$14 or \$.24 per month per thousand dollars of market value.

⁴See Table 1 for a summary of the above calculations and all subsequent calculations of the same nature.

⁵See Table 2 for a summary of the above calculations and all subsequent calculations of the same nature.

⁶During the week of November 7th, the FHA lowered its mortgage rates to 12½%. Long-term conventional mortgage rates have not followed the FHA lead, however.

S. D. Labor Market Model Forecast Highlights

Ralph J. Brown

Real South Dakota personal income is forecasted to rise throughout 1983 and 1984. Currently, we are forecasting a slowdown in the effective growth rate beginning in the middle of 1984 and continuing through 1985. Income sources showing strong growth include wage and salary income, especially in the manufacturing and construction areas, and property income (dividend, interest, and rents). Farm income is also projected to show some strength. For 1983 real personal income is projected to grow 2.9%, 4.3% in 1984, and 2.7% in 1985.

Total non-agricultural employment is expected to rise 1.9% in 1983 and 4.7% in 1984. Manufacturing and construction employment are forecasted to increase strongly in 1983 and 1984. The unemployment rate is forecasted to decline through 1983 and 1984.

About the author: Ralph J. Brown, Ph. D. is Professor of Economics at the School of Business, University of South Dakota, Vermillion, South Dakota.

SALES TAX DATA

The quarterly comparison of sales tax collections that has been traditionally presented in the **South Dakota Business Review** will be presented semi-annually in future issues. The change is a result of the state repealing quarterly sales tax collections and adopting bimonthly collections. The bimonthly schedule coincides with the historical quarterly data and with the quarterly publication of the **Review** only twice a year - at mid year and at year end. The first semi-annual comparison of sales tax data will be presented in the next **Review** and the second comparison will be in the August 1984 issue.

A bimonthly data supplement

will be initiated in the summer of 1984 following the first complete cycle of bimonthly sales tax collections. The data supplement will feature timely year to year comparisons of bimonthly data. The data supplement will be made available by subscription at a charge of \$3 annually. The charge is being implemented to recover printing, handling and postage costs.

The **Business Review** will continue to be a free service as in the past. The data supplement is being published for individuals that wish to have the more timely bimonthly sales tax data at their disposal. Look for the data supplement subscription form in the February issue of the **Business Review**.

SOUTH DAKOTA FORECAST SELECTED ECONOMIC INDICATORS

DESCRIPTION	FORECAST DATA							Annual Data	
	1983.2	1983.3	1983.4	1984.1	1984.2	1984.3	1984.4	1983	1984
South Dakota Indicators									
Personal Income (Millions)	6876.6	7075.5	7279.8	7428.1	7644.3	7805.1	7991.8	7007.0	7717.3
(% Change)	4.7	11.4	11.4	8.1	11.5	8.3	9.5	6.7	10.1
Personal Income (1972 \$s)	3233.0	3297.1	3347.1	3365.7	3414.1	3432.3	3462.6	3274.7	3419.3
(% Change)	1.7	7.8	6.0	2.2	5.7	2.1	3.5	2.8	4.4
Nonfarm Pers. Inc. (Millions)	6213.9	6364.0	6524.8	6640.4	6836.3	6984.5	7163.3	6328.2	6906.1
(% Change)	0.2	9.6	10.0	7.0	11.7	8.6	10.1	5.5	9.1
Nonfarm Pers. Inc. (1972 \$s)	2921.4	2965.5	2999.9	3008.8	3053.3	3071.5	3103.7	2957.4	3059.9
(% Change)	-2.8	6.0	4.7	1.2	5.9	2.4	4.2	1.6	3.5
Wage & Salaries (Millions)	3193.8	3299.1	3399.7	3460.2	3579.2	3656.5	3767.5	3261.7	3615.9
(% Change)	5.0	13.0	12.0	7.0	13.5	8.5	12.0	6.8	10.9
Wage & Salaries (1972 \$s)	1501.5	1537.3	1563.1	1567.8	1598.6	1608.0	1632.4	1524.3	1602.1
(% Change)	2.0	9.4	6.6	1.2	7.8	2.3	6.0	2.8	5.1
Farm Income (Millions)	676.6	725.4	769.0	801.5	821.8	834.4	842.2	692.8	825.0
(% Change)	44.8	26.3	22.1	16.1	9.7	6.1	3.9	19.2	19.1
Farm Income (1972 \$s)	318.1	338.0	353.5	363.2	367.0	366.9	364.9	323.8	365.5
(% Change)	41.8	22.7	16.7	10.3	3.9	-0.1	-2.1	14.8	12.9
Total Employment (Thousands)	318.4	327.9	321.8	303.1	329.2	336.2	330.3	315.7	324.7
(% Change Year-Over-Year)	0.2	1.4	5.4	2.9	3.3	2.5	2.6	1.8	2.9
Nonag. Employment (Thousands)	233.7	239.2	240.2	233.9	246.9	249.9	250.0	234.3	245.2
(% Change Year-Over-Year)	0.1	3.3	4.2	4.2	5.5	4.4	4.0	1.8	4.6
Manufacturing Employment	25.5	26.4	27.4	27.0	27.5	28.0	28.8	25.8	27.8
(% Change Year-Over-Year)	0.6	4.8	12.4	13.0	8.1	6.2	5.0	3.0	7.9
Unemployment Rate (%)	5.4	4.5	4.8	6.0	4.9	4.3	4.7	5.5	5.0

SOUTH DAKOTA INCOME AND EMPLOYMENT

TOTAL PERSONAL INCOME
United States, Plains Region and States
Second Quarter 1982-Second Quarter 1983
(Millions of Dollars, Seasonally Adjusted at Annual Rates)

	1982			1983		% Change
	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	2nd Qtr. 1983 2nd Qtr. 1982
United States	2,556,141	2,584,721	2,625,286	2,650,509	2,709,137	6.0
Plains States	185,343	186,554	191,746	193,034	196,744	6.1
Iowa	31,031	31,191	32,207	32,343	32,818	5.8
Kansas	28,013	28,203	28,960	28,941	29,473	5.2
Minnesota	45,781	46,064	47,317	47,421	48,616	6.2
Missouri	50,085	50,557	51,431	52,294	53,368	6.6
Nebraska	16,703	16,841	17,412	17,538	17,748	6.3
North Dakota	7,214	7,167	7,474	7,642	7,785	7.9
South Dakota	6,517	6,531	6,945	6,856	6,937	6.4

Note: Detail may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

SOUTH DAKOTA NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT Sept 1982 and Sept 1983 (In Thousands)

	Sept. 1982	Sept. 1983	% Change	Average Weekly Hours		Average Hourly Earnings	
				Sept. 1982	Sept. 1983	Sept. 1982	Sept. 1983
Total Employment	232.1	237.8	2.5				
Mining	1.6	2.9	81.3				
Construction	8.7	10.3	18.4				
Manufacturing	24.8	26.8	8.1	38.3	41.4	\$7.16	\$7.27
Durable Goods	11.9	13.8	16.0	39.6	41.3	6.72	6.91
Fabricated Metals & Mach.	7.2	9.0	25.0				
Nondurable Goods	12.9	13.0	.8	37.0	41.5	7.60	7.66
Food & Kindred Products	8.1	7.7	-4.9				
Paper, Printing & Publishing	2.5	2.5	0				
Transportation & Pub. Utilities	12.6	12.3	-2.4				
Transportation	7.0	6.9	-1.4				
Communication & Pub. Utilities	5.6	5.4	-3.6				
Wholesale & Retail Trade	62.7	63.5	1.3				
Wholesale Trade	16.4	16.8	2.4				
Durable Goods	7.5	7.6	1.3				
Nondurable Goods	8.9	9.2	3.4				
Retail Trade	46.3	46.7	.9				
Finance, Insurance & Real Estate	12.0	12.1	.8				
Services	54.1	54.0	-.2				
Hotels, Amuse., Pers. & Business	15.0	15.1	.7				
Medical & Health	21.9	22.0	.5				
Educational, Membership & Social	14.3	13.8	-3.5				
Government	55.6	55.9	.5				
Federal	10.2	10.4	2.0				
State	15.2	15.6	2.6				
State Education	7.3	7.4	1.4				
Local	30.2	29.9	-1.0				
Local Education	16.7	16.6	-.6				

Source: South Dakota Department of Labor, "Labor Bulletin".

SOUTH DAKOTA AGRICULTURAL INDICATORS

PRICES RECEIVED BY FARMERS FOR COMMODITIES SOLD--SOUTH DAKOTA
September 1982 and September 1983

Commodity and Unit	Base Period Price 1910-1914 Average	Sept. 1982	Sept. 1983	Sept. 1983 Price as % of Base	Sept. 1983 Price Above or Below Sept. 1982
Wheat Bu.	.85	3.43	3.72	438	8.5
Corn Bu.	.51	2.08	3.06	600	47.1
Oats Bu.	.35	1.19	1.51	431	26.9
Barley Bu.	.59	1.56	2.07	351	32.7
Flaxseed Bu.	1.68	5.47	7.09	422	29.6
Milk, Whtl. Cwt.	1.82	1/	1/	---	---
Eggs Doz.	.196	1/	1/	---	---
Cattle Cwt.	5.24	59.60	52.80	1008	-11.4
Calves Cwt.	6.08	65.90	58.70	966	-10.9
Hogs Cwt.	7.07	61.00	43.50	615	-28.7
Sheep Cwt.	4.24	16.70	18.30	432	9.6
Lambs Cwt.	5.66	51.90	51.10	903	-1.5
Wool Lb.	.178	.78	.65	365	-16.7

1/ Season average price only.

SOURCE: SOUTH DAKOTA CROP & LIVESTOCK REPORTER.

CROP PRODUCTION SUMMARY
SOUTH DAKOTA
October 1, 1983
(000's Bushels)

Crop	1982	Estimated 1983
Wheat, All	99,630	88,033
Winter	37,400	48,000
Durum	3,480	2,233
Other Spring	58,750	37,800
Corn, All	---	---
Corn, Grain	192,720	110,500
Barley	23,435	24,640
Oats	133,800	79,200
Rye	4,680	6,840
Flaxseed	3,335	1,523
Soybeans	24,400	25,245
Sorghum, All	---	---
Sorghum, Grain	17,250	12,600
Sunflowers	659,980	518,100
Potatoes, Fall	1,550	2,320
Hay, All	8,635	8,370
Alfalfa	5,880	5,850
Other	2,755	2,520

SOURCE: SOUTH DAKOTA CROP & LIVESTOCK REPORTER.

SOUTH DAKOTA LOCAL CONDITIONS INDICATORS

City	Second Qtr. 1983			(% Change Like Period Previous Year)			
	Taxable Sales ¹ (In \$000's)			Telephone Services ²	Housing Starts ³	Postal Indica. ⁴	Employ- ment ²
	Total	Retail	Services				
Aberdeen	\$51,168	\$33,960	\$7,147	0.8%	333.1%	5.3%	- 3.9%
Belle Fourche	6,986	4,972	1,055	-1.9	-72.4		- 5.3
Brookings	21,229	14,728	2,586		119.7	4.6	- 2.1
Canton	2,820	2,107	473	-0.5			2.7
Chamberlain	4,609	3,007	624	1.6	-81.7		- 1.5
Deadwood	4,615	3,483	1,011	-0.2			11.7
De Smet	1,993	1,192	282	-0.7			- 1.9
Hot Springs	4,544	2,708	678		244.1		3.0
Elk Point	1,582	674	315	-2.2			-11.0
Huron	20,743	15,198	2,332	-1.3	113.4	-9.3	-10.0
Lead	5,290	2,125	261	-0.5			-11.7
Madison	9,729	6,684	1,124	0.3	11.3		- 5.4
Milbank	7,721	5,218	1,013	-0.2	81.3		- 7.8
Mitchell	29,455	22,540	2,997	-0.5	-34.3	-51.4	- 2.0
Mobridge	7,035	5,055	878	0.8	-70.4		0.9
Pierre	21,299	13,809	3,600	0.8	232.4	- 4.3	0.8
Rapid City	113,983	71,942	19,680	2.5	239.1	5.2	- 1.3
Sioux Falls	178,812	115,090	27,964	3.0	244.8	12.9	0.1
Sturgis	7,387	5,447	1,097	1.2			2.8
Vermillion	8,205	5,592	1,200	0.2	20.9		- 2.4
Watertown	33,803	23,427	4,187	1.6	102.2	20.8	- 4.7
Winner	7,831	5,699	736	-0.1	620.0		0.5
Yankton	22,643	17,920	2,839	1.5	68.2	4.7	- 2.8

*COUNTY DATA

¹ Taxable Sales-data not comparable to this period last year due to change from quarterly collections to bimonthly collections.

² Telephone Services and Employment-percentage change for September 1982 to September 1983. Telephone data are for the number of access lines in service.

³ Housing Starts-percentage change for the first nine months of 1982 to first nine months of 1983. Data reported are for the value of housing starts.

⁴ Postal Indicator- percentage change for third quarter 1982 to third quarter 1983. Included in postal indicator are: postage stock sales, printed stamped envelopes, postage meters for customers, permit imprint postage (3rd class regular), and second class postage.

SOUTH DAKOTA Business Review

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THE UNIVERSITY OF SOUTH DAKOTA
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CONSUMER PRICE INDEX

United States
Jan.-Sept. 1983
(1967=100)

Item	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	Unadjusted % Change Jan.-Sept. 1983
All Items	293.1	293.2	293.4	295.5	297.1	298.1	299.3	300.3	301.8	3.0
Food & beverages	280.7	281.6	283.2	284.6	285.0	284.7	284.7	284.9	285.3	1.6
Food	288.1	289.0	290.5	291.9	292.4	292.0	292.0	292.2	292.6	1.6
Alcoholic beverages	211.6	213.3	215.1	216.1	216.6	217.0	217.2	217.1	218.4	3.2
Housing	317.9	318.5	318.6	320.3	321.8	323.1	324.5	324.8	326.4	2.7
Shelter	338.3	339.2	339.3	341.7	342.7	343.6	345.3	346.6	348.5	3.0
Renters' Costs	100.8	101.2	101.4	101.8	102.2	102.5	103.1	103.7	104.4	3.6
Homeowners' Costs	100.7	100.9	100.9	101.7	102.0	102.2	102.7	103.0	103.5	2.8
Fuel & Other Utilities	365.4	364.6	363.8	363.6	369.3	373.6	375.5	375.1	376.4	3.0
Fuel	463.5	461.5	459.7	459.2	468.3	475.2	477.7	476.5	478.3	3.2
Fuel oil, coal & bottled gas	671.1	654.0	625.3	610.6	621.0	620.0	619.3	619.0	623.2	-7.1
Gas (piped) & electricity	413.5	414.5	418.0	420.5	429.1	437.4	440.5	439.1	440.5	6.5
Other util. & Pub. Services	210.1	210.9	211.4	211.7	212.5	213.2	214.2	214.8	215.4	2.5
Household furnishing & operation	235.8	236.7	237.6	239.0	238.4	238.6	238.9	238.0	238.9	1.3
Apparel & upkeep	191.0	192.0	194.5	195.5	196.1	195.6	195.0	197.3	200.4	4.9
Transportation	293.0	289.9	287.4	292.3	296.2	298.3	300.4	302.4	303.7	3.7
Private transportation	288.4	285.2	282.7	287.5	291.7	293.8	296.0	298.0	299.2	3.7
Public transportation	357.7	355.2	354.5	361.1	359.2	361.2	363.2	365.0	366.6	2.5
Medical care	347.8	351.3	352.3	353.5	354.3	355.4	357.7	360.0	361.2	3.9
Entertainment	241.5	243.1	244.6	244.6	244.8	245.4	246.0	246.6	247.5	2.5
Other goods and services	279.9	281.6	281.9	283.2	283.5	284.5	287.5	289.0	294.4	5.2

*Consumer Price Index for all Urban Consumers

Source: Bureau of Labor Statistics, U.S. Dept. of Labor

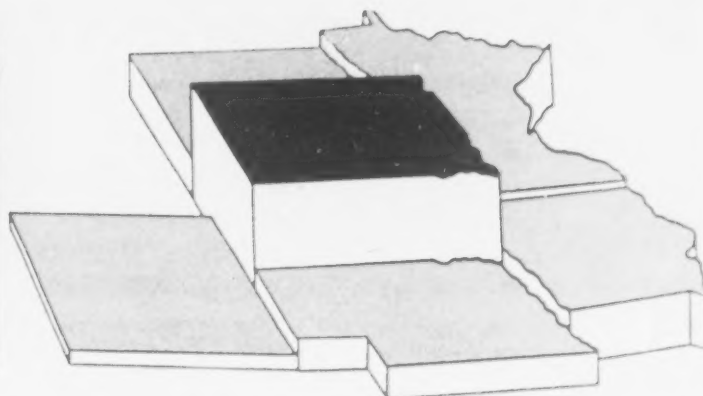
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SOUTH DAKOTA Business Review

**MARCH 1984
VOL. XLII, No. 3**



General Indicators	Latest Quarter	SOUTH DAKOTA			UNITED STATES		
		Latest Quarter	Year Ago	Percent Change	Latest Quarter	Year Ago	Percent Change
Personal Income (\$ Mil.)	1983-3	6,987	6,531	7.0	2,755,061	2,584,721	6.6
Farm Prop. Income (\$ Mil.)	1983-3	457	458	-0.2	19,821	15,568	27.3
Non-ag Employment (Thous.)	1983-4	236	231	2.2	91,381	88,796	2.9
Unemployment Rate (%)	1983-4	4.7	5.5	-14.5	8.2	10.3	-20.4
Total Employment (Thous.)	1983-4	304.8	305.0	-0.1	102,827	99,351	3.5

Note: All U.S. and S.D. data seasonally adjusted except for the employment-related data.

PERSPECTIVE 1983-OUTLOOK 1984

U.S. Economy - Recovery in 1983

For the first time in several years the economic outlook at the beginning of the year is optimistic. The deepest recession since the Great Depression "bottomed out" at the end of 1982 and the economy recovered vigorously throughout 1983. After falling through most of 1982, the real Gross National

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Product (GNP) grew at a moderate 2.6% annual rate in the first quarter of 1983, then by an extremely strong rate of 9.7% in the second quarter, 7.6% in the third quarter, and 4.9% in the fourth quarter. Most of the fourth quarter decline in the growth rate was due to an unfavorable trade account. Had the trade account component been removed, the actual growth rate would have been 6.5%, only moderately lower than the third quarter rate.

Table 1 summarizes the changes in the components of Real Gross National Product. The table shows that the

recovery was led by residential fixed investments, which turned around very strongly in the fourth quarter of 1982. By the second quarter of 1983 the recovery was broad-based in that both the business sector and the consumer sector showed healthy growth rates. Industrial production and capacity utilization turned strongly upward in the first quarter of 1983. Disposable personal income, which provides the necessary impetus to the consumer sector, had already shown a respectable gain in the fourth quarter of 1982.

(Continued on page 2)

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(Continued from page 1)

The price indexes show that inflation throughout 1983 was not a serious problem.

Recent data tend to support continued optimism. It was reported in February that the composite index of leading indicators rose .6% in December, after a small decline in November. This indicator of future economic activity has risen for 15 of the past 16 months. If this indicator remains true

to past performances--leading the general cycle of the economy by approximately 3-6 months--a downturn is at least several months away. Further evidence of economic strength is found in the report that new home sales continued to rise in December, reaching a four-year high. New home sales rose 51.7% during 1983. By December, 1983, capacity utilization had risen to 79.4%, after falling below 69% late in 1982, the lowest rate on

TABLE 1
UNITED STATES
REAL GROSS NATIONAL PRODUCT BY COMPONENT
PERCENT CHANGE FROM PRECEDING QUARTER*
(Seasonally Adjusted)

	1982-1	1982-2	1982-3	1982-4	1983-1	1983-2	1983-3	Preliminary 1983-4
Gross National Product (1972 Annual Rate)	-5.5	1.0	-1.0	-1.3	2.6	9.7	7.6	4.9
Personal Consumption Expenditures	0.6	0.8	0.2	0.9	0.7	2.4	0.5	1.6
Durable Goods	2.7	0.7	-0.9	3.6	1.8	7.3	0.9	3.6
Non-Durable Goods	-0.3	0.2	0.3	0.4	0.8	1.6	0.9	1.4
Services	0.7	1.2	0.5	0.5	0.3	1.6	0.1	1.1
Fixed Investments	-2.7	-2.4	-2.5	0.7	2.1	5.0	5.3	3.5
Nonresidential	-1.5	-3.7	-2.3	-1.7	-0.4	1.9	4.4	5.2
Residential	-7.9	4.1	-3.4	11.2	12.1	15.6	8.0	-1.2
Exports	-4.3	1.8	-5.2	-6.8	0.6	-0.8	3.3	0.6
Imports	-1.9	3.9	1.1	-7.3	2.9	6.1	4.3	7.6
Gov't. Purchases of Goods & Serv.	-0.1	-1.2	2.2	2.6	-2.3	-0.3	1.1	-0.7
Federal	0.0	-3.7	6.0	6.4	-4.8	-0.7	1.1	-1.7
State and Local	-0.1	0.3	-0.1	-0.1	-0.4	0.0	1.0	0.0
OTHER ECONOMIC INDICATORS								
Implicit GNP Deflator (Annual Rate)	4.3	5.6	3.7	3.8	5.5	3.3	3.6	5.0
Consumer Price Index (Annual Rate)	4.1	6.5	4.9	0.8	1.9	4.5	4.8	N.A.
Producer Prices (Annual Rate)	1.9	1.1	1.1	-0.5	0.8	2.6	3.0	N.A.
Industrial Production Index Total (1967=100)	-3.1	-1.7	-0.9	-2.1	2.4	4.3	5.1	2.8
Capacity Utilization (Percent) FRB	-4.0	-1.8	-0.8	-2.8	2.5	4.4	4.9	2.3
Disposable Personal Income	-0.9	0.5	-0.1	0.6	0.7	0.9	1.6	1.8

Source: Business Conditions Digest
January 1984

*Except where otherwise noted

(Continued on page four)

National Economy

Continued growth in the Gross National Product during January and February suggests that the recovery of 1983 has extended itself into the new year. For the full year 1984 the expected growth is between 4.0 and 5.0 percent. Concern over an expected slowed growth in GNP in the second quarter due to lagging growth in the money supply in the fall has diminished. Revised money supply figures have suggested that the growth was actually greater than originally perceived. Remaining as the greatest risk to continued growth in 1984 is the perception that continued Federal deficits will result in increased pressures on interest rates.

South Dakota Economy

A review of the indicators of business activity maintained by the Business Research Bureau shows that the employment sector is continuing to show steady growth in South Dakota. On a seasonally adjusted basis non-ag employment has continued to show

Trend of Business

modest improvement since the first quarter of 1983. The downward trend of construction employment reversed itself midway through 1983 and has shown significant growth during the latter half of 1983. As reported in the December 1983 issue of the *South Dakota Labor Bulletin*, in Dec. 1983 construction employment was up 5.5 percent or 400 jobs from a year ago. Preliminary figures for January 1984 show continued expansion for this indicator-up to 9.7 percent or 600 jobs from January 1983. The unemployment rate for South Dakota continues to remain well below that for the U.S. On a seasonally adjusted

basis it has continued to decline during 1983.

Seasonally adjusted data for the income sector declined in the third quarter of 1983 compared to the previous quarter. Personal income fell slightly for this period, due mainly to the substantial decline in farm proprietor's income of -16.1 percent.

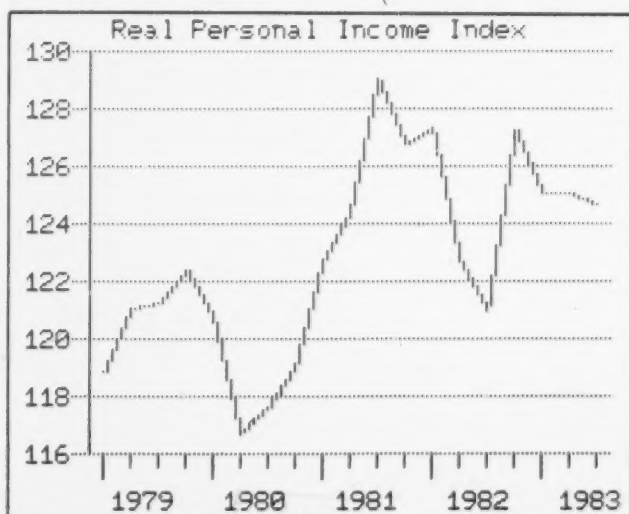
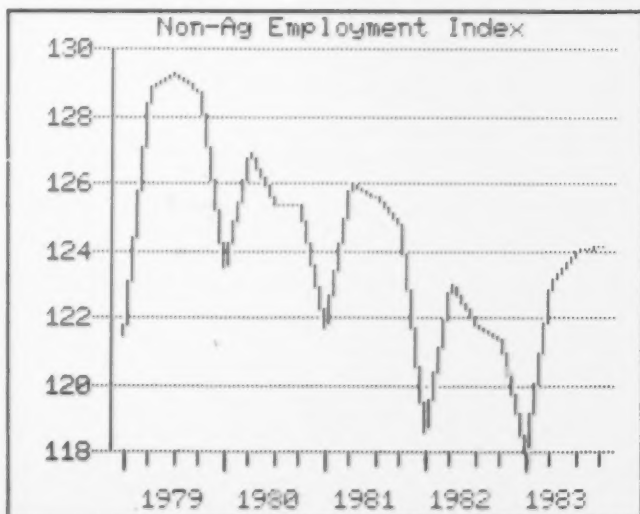
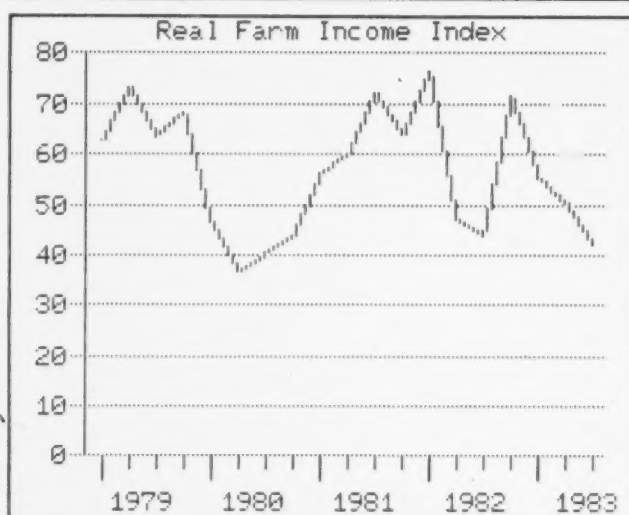
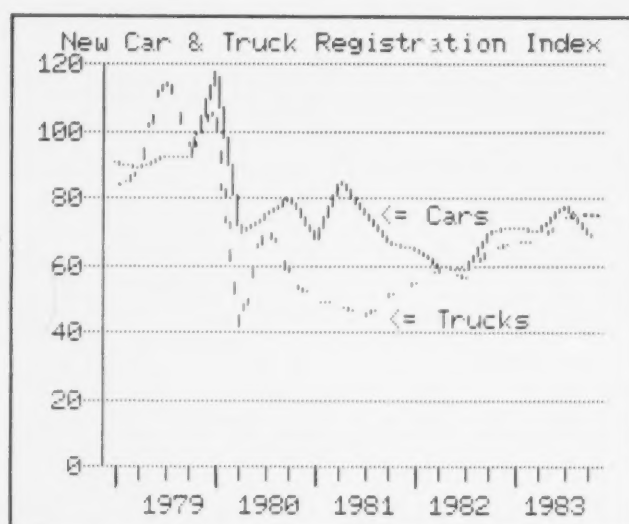
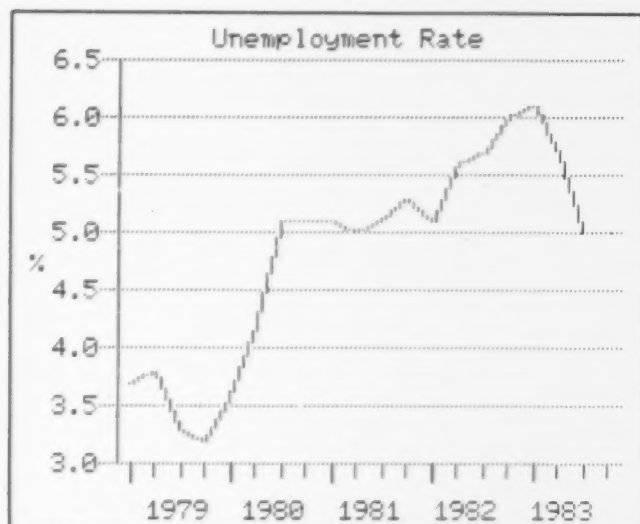
Sales of new cars dropped in the fourth quarter of 1983 compared to the previous quarter-down -11.4 percent. However, sales of new trucks experienced another upswing in the fourth quarter of 1983 and have maintained a steady increase since the last half of 1982.

SOUTH DAKOTA BUSINESS INDICES
1982-1983, Quarterly
Seasonally Adjusted
(1972=100)

	1982				1983			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Personal Income	127.4	127.7	121.0	127.3	125.1	125.1	124.7	124.7
Farm Proprietor's Income	76.6	47.1	43.9	71.8	66.0	80.3	42.0	42.0
Non-Ag Employment	118.6	123.0	121.4	121.4	118.0	123.1	124.0	124.2
Unemployment Rate (%)	5.1	5.6	5.7	5.9	6.1	5.7	6.0	6.0
Construction Employment	94.4	92.9	90.0	90.7	93.1	90.7	99.9	103.3
New Cars	65.8	60.2	59.4	70.5	71.1	70.3	78.1	69.2
New Trucks	55.5	59.0	56.9	65.4	67.7	68.4	74.6	76.4

SOUTH DAKOTA BUSINESS & ECONOMIC INDICES

Quarterly Data 1979-1983
Adjusted for Seasonal Variation



(Continued from page 2)

record. Orders for non-defense capital goods rose by 1.8% in December. By mid-January, auto sales, which usually lead an economic recovery, had risen by nearly 20% relative to year earlier levels.

FORECAST FOR 1984

Most economic observers expect continued expansion at least until the second half of 1985. They disagree as to the overall strength of the recovery and the exact time path it will take, but they agree that last year's growth rate could not have been sustained much longer. Most forecasters expect real GNP to grow at more modest annual rates of 4 to 4-1/2% through at least the middle of 1985. Table 2 summarizes the forecasts of several of the major forecasters.

TABLE 2
FORECASTS OF MAJOR
FORECASTING SERVICES

	Percent Change 1st Quarter 83-84		Average Completion
	Real GNP	Prices	
Chase Econometrics	4.0	9.0	8.1
Data Resources	4.4	9.0	7.8
Marston Economics	4.4	9.9	7.8
Citicorp Information Services	3.9	8.7	7.7
Evans Economics	3.5	6.9	8.0
Average of 13 Services	4.0	9.1	7.9

Consumer Sector

Nineteen eighty-three has been the strongest year for consumer spending since 1978. For full year 1983 personal consumption expenditures grew an estimated 4.3%. This compares to rates of 5% in 1977 and 4.5% in 1978, but only .5% in 1980 and 1.4% in 1982. The strength of this growth has come particularly from the durable goods sector with an 11% growth rate. As is normally the case, services and non-durable goods were much less volatile. The nondurable sector finished out 1983 with a 3.3% growth rate and the service sector with a 2.8% rate. Before adjustment for inflation, national retail sales grew by about 10.4% between the fourth quarter of 1982 and the fourth quarter of 1983. Even after adjustment for inflation, the growth rate was about 6.4%, a very vigorous and healthy growth rate.

For 1984 the question is whether the consumer will be able to continue to sustain this level of spending. Personal income continues to increase, growing in the third quarter by 1.6%. This increase in personal income reflects an increased ability for the consumer to continue to purchase. The consumer's balance sheet also remains relatively healthy. The ratio of installment debt to personal income is currently 13.2%. This is relatively close

to the norm of that ratio, and contrasts to the peak of almost 15% in the first quarter of 1980. Another factor which might suggest the consumer will continue to contribute to the recovery is a continued rise in consumer expectations. The index of consumer confidence continues to lie above the 90% level.

Based on patterns of consumer spending in past recoveries, spending gains can be expected to continue into 1984, but the growth may be somewhat tempered. In the 1979-80 recovery, personal consumption spending began to fall off during the 16th to 18th months of the recovery. However, consumer expenditures continued to grow well past the 18th month of the 1973-75 recovery.

Business Sector

Investment in nominal plants and equipment is expected to grow by about 15% in 1984 and an additional 18% in 1985. This follows two consecutive years when expenditures actually declined. In 1983 the decline was 4.2%. Non-residential fixed investment (i.e., structures) is expected to rise by approximately 4-1/2% in 1984, following a decline of over 7% in 1983. A major reason for the lag in investment was the very low capacity utilization (approximately 68.7%) at the trough of the recession. With capacity utilization rising again to over 80%, business should again be taking those long-term capital expenditure projects off the shelf.

Inventories have begun to grow and should continue to expand following a period when inventories fell off dramatically. Indeed for all of 1982 inventories in nominal terms fell by 24.6% and in the first quarter of 1983 they experienced an all time record decline of 39.4% at annual rates. By the fourth quarter of 1983, however, nominal inventories were growing at a 19.8% rate. They are expected to continue to climb through 1984. However, should interest rates begin to rise and growth rate expectations decline, inventories may level off.

Government Sector

The Reagan administration has presented a fiscal year 1985 budget with expenditures of \$925.5 billion and receipts of \$745.1 billion. This results in a projected deficit of \$180.4 billion. Thus the federal government again, as in 1983, will put great demands on the credit markets. Last year the business sector was not a large demander of

credit and the interest rate differential between the U.S. and other nations produced a sizable inflow of funds into the U.S. credit markets, allowing the government to soak up credit without putting too much strain on interest rates. The real concern with the 1985 budget is the credit markets may not be able to continue to meet the government's huge demands and accommodate re-entry of the business sector into the market. As this takes place, pressures on the credit markets appear to be inevitable. As a result, government borrowing may crowd out and quickly shut off capital investment as well as the boom in the housing sector.

Federal Reserve Actions

Before recent revision in money supply data, some economists, especially those who lean towards the monetarist view, were concerned that slow growth in the money supply during the last half of 1983 would translate into a substantial slowing in economic growth in mid-1984. However, the recently-revised money supply figures show that M1 grew at annual rates of about 7% during the last half of last year (as compared to a 5% rate indicated by the earlier data). In light of this new information, most economists agree that Fed policy has been sufficiently—some might even say overly—accommodative and should not cause a significant slowdown in activity. In fact, the concern now seems to have shifted to the other side. If the Fed should step up money growth further, it could risk a resurgence of inflation. On the other hand, if the Fed slows money growth, interest rates could be driven up. As of this writing, it is not clear whether monetary policy will change or which direction such a change is most likely to take.

The South Dakota Economy

While the U.S. economy posted a vigorous first full year of economic recovery in 1983 the South Dakota economy experienced a much more modest expansion. Real personal income rose 2.5 percent nationally while the South Dakota growth rate was only 0.8 percent. The major reason for the slow rate of recovery in the South Dakota economy was the continued poor farm income situation. The nonfarm sector of the South Dakota economy fared better as it expanded at a 2.4 percent rate as compared to 2.7 percent rate for the nonfarm sector of the national eco-

(Continued on page 5)

(Continued from page 4)

nomy. The industries that did experience better than average growth were durable manufacturing, construction and finance, insurance, and real estate.

Looking to 1984 we expect the economic recovery to speed up and become more broad-based. The South Dakota economy should benefit from continued expansion in the U.S. economy and an improved farm economy.

Personal Income

While the pace of economic recovery in South Dakota was disappointing in 1983, the 0.8 percent growth in real personal income was certainly preferable to the 1.0 percent decline of 1982. The lagging sector was primarily the farm economy with a 15.5 percent decline in real income. The personal income components showing fast growth in 1983 were real nonfarm proprietors' income, real wage and salary payments, and transfer payments with real growth rates of 23.7, 3.2 and 3.2 percent, respectively. After several years of rapid growth the dividends, interest and rent component of personal income declined 3.8 percent in real terms. A summary of personal income data is presented in Table 3.

Labor Markets

Labor market conditions in South Dakota began to show improvement at about mid-year. Nonagricultural wage and salary employment exceeded year earlier levels in the second, third, and fourth quarters of 1983. The unemployment rate stood at 4.7 percent compared to 5.5 percent a year earlier. The industrial sectors showing employment growth in 1983 were manufacturing, construction, services, and finance, insurance and real estate. However, only services and finance, insurance and real estate employed more people in 1983 than in 1979. These two industries continued to expand throughout the recession years of 1980-1982. See Table 4 for more detail concerning South Dakota Labor markets.

The South Dakota Forecast

The South Dakota forecast is based on the South Dakota Labor Market Model (SDLM). This model is an 125 equation quarterly econometric model which provides forecasts of personal income by source and employment by industry. The South Dakota econometric model is driven by a national economic forecast of key macroeconomic variables provided by Citibank.¹

Table 3
SOUTH DAKOTA LABOR MARKET MODEL

DESCRIPTION	ACTUAL DATA				1983.1				ANNUAL DATA		
	1982.1	1982.2	1982.3	1982.4	1983.1	1983.2	1983.3	1983.4	1981	1982	1983
PERSONAL INCOME (BILLIONS)	6707.0	6517.0	6531.0	6945.0	6856.0	6937.0	6987.0	7192.7	6374.5	6675.0	6993.2
PERSONAL INCOME (1972 \$'S)	3325.2	3200.9	3156.6	3323.0	3263.2	3264.5	3258.9	3316.1	3283.7	3251.3	3275.9
NONFARM PERSONAL INCOME	5836.0	5936.0	5971.0	6083.0	6156.0	6290.0	6420.0	6508.0	5473.2	5956.5	6343.5
FARM PERSONAL INCOME	871.0	581.0	560.0	862.0	700.0	647.0	567.0	684.7	701.2	718.5	649.7
WAGE & SALARY DISBURSEMENTS	3036.0	3077.0	3091.0	3151.0	3207.0	3284.0	3350.0	3442.3	2991.0	3080.7	3320.8
NON-AG. WAGES & SALARIES	2931.0	2967.0	2975.0	3031.0	3084.0	3160.0	3223.0	3311.9	2893.7	2976.0	3194.7
MANUFACTURING	397.0	399.0	395.0	388.0	400.0	423.0	422.0	442.4	388.7	394.7	421.9
DURABLE GOODS	187.0	182.0	184.0	178.0	193.0	210.0	229.0	213.2	183.0	185.5	211.1
NON-DURABLE GOODS	211.0	214.0	211.0	210.0	206.0	213.0	193.0	229.2	204.0	211.5	210.3
MINING	65.0	53.0	33.0	32.0	54.0	59.0	62.0	72.0	63.8	51.5	61.7
CONTRACT CONSTRUCTION	130.0	124.0	124.0	130.0	139.0	137.0	133.0	153.6	125.5	127.0	145.7
REGULATED INDUSTRIES	240.0	244.0	257.0	255.0	251.0	249.0	249.0	270.4	239.5	249.0	254.9
WHOLESALE & RETAIL TRADE	610.0	619.0	626.0	624.0	633.0	652.0	666.0	686.5	614.5	620.2	659.9
SERVICES	522.0	543.0	557.0	562.0	569.0	585.0	596.0	609.9	500.2	546.0	590.0
FIN. INV. & REAL ESTATE	166.0	176.0	182.0	184.0	191.0	195.0	198.0	203.4	160.0	177.5	196.9
GOVERNMENT	799.0	810.0	814.0	840.0	847.0	865.0	874.0	873.4	772.5	815.7	863.6
AGRIC. WAGE & SALARY-FARM	92.0	97.0	102.0	105.0	107.0	108.0	110.0	113.3	84.5	89.0	109.6
AGRIC. WAGE & SALARY-AG SER	13.0	13.0	14.0	15.0	16.0	16.0	17.0	17.1	12.8	13.8	16.5
OTHER LABOR INCOME	277.0	285.0	289.0	300.0	309.0	320.0	330.0	318.3	260.0	287.7	319.3
PROPRIETORS NET INCOME	1065.0	922.0	774.0	1009.0	962.0	942.0	870.0	970.5	931.0	930.0	936.1
NON-FARM	285.0	308.0	318.0	332.0	349.0	403.0	413.0	399.0	314.0	310.2	396.0
FARM	779.0	494.0	456.0	757.0	593.0	539.0	457.0	571.4	616.7	619.5	540.1
RESIDENCE ADJUSTMENT	11.0	11.0	11.0	11.0	10.0	10.0	11.0	9.8	11.0	11.0	10.2
PROPERTY INCOME	1652.0	1644.0	1634.0	1630.0	1613.0	1613.0	1658.0	1695.6	1551.2	1645.0	1644.9
TRANSFER PAYMENTS	937.0	962.0	1008.0	1044.0	1044.0	1064.0	1069.0	1059.7	890.2	987.7	1059.2
LESS: PERSONAL CONTRIBUTIONS FOR SOCIAL INSURANCE	271.0	274.0	275.0	280.0	290.0	296.0	301.0	303.4	259.5	275.0	297.6

BR, UNIVERSITY OF SOUTH DAKOTA \$\$\$ FORECAST \$\$\$ FEBRUARY 1984

Table 4
SOUTH DAKOTA LABOR MARKET MODEL

DESCRIPTION	ACTUAL DATA				1983.1				ANNUAL DATA		
	1982.1	1982.2	1982.3	1982.4	1983.1	1983.2	1983.3	1983.4	1981	1982	1983
EMPLOYMENT (THOUSANDS)											
TOTAL EMPLOYMENT	293.7	317.9	323.3	305.0	294.5	321.2	321.8	313.4	318.0	310.0	312.7
WAGE & SALARY EMPLOYMENT	225.3	233.5	231.4	230.4	224.2	233.8	235.5	235.9	236.2	230.2	232.3
MANUFACTURING	25.3	25.3	25.2	24.4	23.9	25.2	26.6	27.4	25.9	25.0	25.8
DURABLE GOODS	12.8	12.5	12.2	11.6	11.3	12.3	13.3	14.3	13.2	12.3	12.9
FAB. MET. & MACHINERY	8.6	8.0	7.5	7.1	7.1	7.8	8.9	8.9	8.7	7.8	8.2
OTHER DURABLE GOODS	4.2	4.4	4.7	4.5	4.2	4.6	4.9	5.4	4.5	4.5	4.8
NON-DURABLE GOODS	12.5	12.8	13.0	12.8	12.6	12.8	12.8	13.2	12.7	12.8	12.9
FOOD & KINDRED PRODUCTS	7.9	8.1	8.2	7.9	7.6	7.7	7.6	7.9	7.6	8.0	7.7
PRINTING & PUBLISHING	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.5	2.5	2.5
OTHER NON-DURABLES	2.3	2.3	2.3	2.5	2.5	2.7	2.7	2.7	2.6	2.3	2.6
MINING	2.6	2.3	1.6	2.0	2.7	3.0	3.0	3.0	2.9	2.3	2.9
CONTRACT CONSTRUCTION	4.2	8.2	9.0	7.7	6.1	8.0	10.0	9.0	9.7	7.8	8.3
REGULATED INDUSTRIES	12.5	12.6	12.5	12.5	12.5	12.2	11.8	12.6	12.0	12.5	12.3
TRANSPORTATION	6.9	6.9	6.9	6.9	7.0	6.8	6.7	6.9	7.1	6.9	6.8
COMM. & PUBLIC UTIL.	5.6	5.6	5.6	5.6	5.4	5.4	5.2	5.7	5.7	5.6	5.4
WHOLESALE & RETAIL TRADE	60.1	62.6	63.3	61.0	59.0	62.3	63.6	61.9	63.9	61.8	61.7
WHOLESALE TRADE	16.3	16.6	16.6	16.2	16.0	16.5	16.9	16.7	17.0	16.4	16.6
DURABLE GOODS	7.4	7.5	7.6	7.3	7.2	7.4	7.7	7.6	7.8	7.5	7.5
NON-DURABLE GOODS	8.8	9.1	9.0	8.9	8.8	9.2	9.2	9.1	9.2	9.0	9.1
RETAIL TRADE	43.8	46.0	46.7	44.8	43.0	45.7	46.7	45.2	46.9	45.3	45.2
SERVICES	50.4	52.5	54.3	51.9	51.0	52.9	54.2	52.6	51.6	52.3	52.7
FIN. INV. & REAL ESTATE	11.5	11.8	12.0	12.0	11.9	12.0	12.2	12.3	11.4	11.8	12.1
GOVERNMENT	16.7	16.3	15.5	16.0	15.0	16.3	16.5	17.0	15.8	16.6	16.7
AVERAGE WEEKLY HOURS											
MANUFACTURING	42.3	40.1	40.7	41.3	40.2	41.3	41.4	38.9	41.8	41.1	40.4
DURABLE GOODS	39.0	39.0	40.2	38.3	39.3	40.4	41.5	39.6	40.6	39.1	40.2
NON-DURABLE GOODS	45.5	41.1	41.2	44.1	40.9	42.2	41.2	42.6	43.0	43.0	41.7
LABOR FORCE (THOUSANDS)											
LABOR FORCE	313.1	335.8	340.2	322.7	318.1	339.8	336.7	329.0	335.0	327.9	330.9
UNEMPLOYMENT	19.4	18.1	16.9	17.7	23.6	18.6	14.9	15.6	17.0	18.0	18.2
UNEMPLOYMENT RATE (%)	6.2	5.4	5.0	5.5	7.4	5.5	4.4	4.7	5.1	5.5	5.5

BR, UNIVERSITY OF SOUTH DAKOTA \$\$\$ FORECAST \$\$\$ FEBRUARY 1984

The 1984 South Dakota forecast is premised on the following macroeconomic assumptions:

1. Real GNP of 4.7 percent.
2. Consumer Price Index change of 5.6 percent and personal consumption deflator change of 5.2 percent.
3. The national unemployment rate will average 8.0 percent.
4. The U.S. Treasury bill rate will average 1.0 percent.
5. U.S. net farm income will average \$31.5 billion in 1984.²

Last year we forecasted real personal income in 1983 to rise by 2.8 percent while the actual increase was only 0.8 percent. The major source of

our forecast error was our belief that South Dakota real farm income would show modest improvement in 1983 where in fact it declined. Our forecast for nonfarm real personal income was right on the mark at 2.5 percent.

In 1984 we forecast personal income will increase by 9.6 percent in nominal terms and 4.3 percent in real terms. Wage and salary income is projected to increase to 10.3 percent in nominal terms and 5.0 percent in real terms. Proprietors' income is expected to increase 8.4 percent in real terms with an improved farm income situation. A detailed forecast of personal income by source is presented in Table 5.

(Continued to page 6)

Table 5

SOUTH DAKOTA LABOR MARKET MODEL

DESCRIPTION	ACTUAL DATA				FORECAST DATA				ANNUAL DATA		
	1983.1	1983.2	1983.3	1983.4	1984.1	1984.2	1984.3	1984.4	1982	1983	1984
PERSONAL INCOME (MILLIONS)	6854.0	6937.0	6987.0	7192.7	7354.5	7546.2	7758.4	7974.0	6675.0	6993.2	7644.3
PERSONAL INCOME (1972 \$'S)	3243.2	3264.5	3258.9	3316.1	3346.4	3396.8	3434.4	3482.1	3251.3	3275.9	3416.2
NONFARM PERSONAL INCOME	6156.0	6270.0	6420.0	6588.0	6640.0	6820.9	6945.0	7126.2	5954.5	6343.5	6888.0
FARM PERSONAL INCOME	700.0	667.0	567.0	604.7	714.5	725.3	793.4	847.8	719.5	649.7	756.2
WAGE & SALARY DISBURSEMENTS	3207.0	3284.0	3350.0	3442.3	3525.7	3637.7	3704.3	3766.6	3088.7	3320.8	3664.1
NON-AG. WAGES & SALARIES	3084.0	3140.0	3223.0	3311.9	3388.6	3497.1	3562.2	3638.7	2976.0	3194.7	3521.6
MANUFACTURING	690.0	623.0	622.0	642.4	666.0	680.4	684.1	699.5	594.7	621.9	682.5
MINING	193.0	210.0	228.0	233.2	236.5	231.7	236.5	251.5	183.5	211.3	236.4
NON-DURABLE GOODS	384.0	383.0	373.0	377.2	380.3	388.7	397.6	406.0	311.5	310.3	346.1
DURABLE GOODS	54.0	59.0	62.0	72.0	61.8	68.7	67.9	70.5	51.5	61.7	67.2
CONTRACT CONSTRUCTION	139.0	137.0	153.0	153.6	163.9	171.3	175.3	188.1	127.0	145.7	174.6
RESIDENTIAL BUILDINGS	251.0	249.0	249.0	270.6	260.4	283.4	284.4	284.7	249.0	254.9	278.3
WHOLESALE & RETAIL TRADE	633.0	652.0	666.0	686.5	675.4	701.1	716.1	722.4	620.2	659.9	703.7
SERVICES	549.0	585.0	596.0	609.9	653.8	649.1	694.5	714.3	546.0	590.0	680.9
FIN., INS., & REAL ESTATE	191.0	195.0	198.0	203.4	208.2	214.6	219.3	225.1	177.5	196.9	216.8
GOVERNMENT	841.0	860.0	874.0	897.5	908.4	920.8	934.0	945.0	815.7	863.6	915.7
AGRIC. WAGE & SALARY-FARM	107.0	108.0	110.0	113.3	119.9	123.2	126.7	130.3	99.0	109.6	125.0
AGRIC. WAGE & SALARY-NON-FARM	16.0	16.0	17.0	17.1	17.2	17.4	17.5	17.6	13.8	16.5	17.4
OTHER LABOR INCOME	309.0	320.0	330.0	318.3	327.3	339.1	346.5	355.2	287.7	319.3	342.0
PROFITATIONS NET INCOME	942.0	942.0	879.0	970.5	1000.1	1031.6	1080.3	1137.2	930.0	936.1	1062.3
NON-FARM	549.0	603.0	613.0	599.0	603.5	607.7	613.5	619.7	510.2	596.0	611.1
FARM	393.0	339.0	266.0	371.4	396.6	424.1	466.7	517.5	619.5	340.1	451.2
RESIDENCE ADJUSTMENT	10.0	10.0	11.0	9.8	10.0	10.1	10.3	10.5	11.0	10.2	10.2
PROPERTY INCOME	1613.0	1613.0	1658.0	1695.6	1726.9	1768.4	1824.8	1880.0	1645.0	1644.9	1802.0
TRANSFER PAYMENTS	1044.0	1044.0	1049.0	1059.7	1079.0	1100.1	1112.1	1121.1	987.7	1059.2	1103.0
LESS: PERSONAL CONTRIBUTIONS FOR SOCIAL INSURANCE	290.0	296.0	301.0	303.4	312.4	318.8	321.9	324.4	275.0	297.6	319.4

S.D.S. UNIVERSITY OF SOUTH DAKOTA \$\$\$ FORECAST \$\$\$ FEBRUARY 1984

Table 6
SOUTH DAKOTA LABOR MARKET MODEL

EMPLOYMENT AND HOURS

DESCRIPTION	ACTUAL DATA				FORECAST DATA				ANNUAL DATA		
	1983.1	1983.2	1983.3	1983.4	1984.1	1984.2	1984.3	1984.4	1982	1983	1984
EMPLOYMENT (THOUSANDS)											
TOTAL EMPLOYMENT	294.5	321.2	321.8	313.4	303.5	327.2	337.2	323.4	310.0	312.7	322.8
WAGE & SALARY EMPLOYMENT	224.2	233.8	235.5	235.9	234.9	246.3	249.5	247.7	230.2	232.3	244.6
MANUFACTURING	23.9	25.2	26.6	27.4	27.0	27.6	28.2	28.9	25.0	25.8	27.9
MINING	11.3	12.3	13.9	14.3	14.1	14.5	15.0	15.5	12.3	12.9	14.8
FAB. MET. & MACHINERY	7.1	7.1	7.1	8.9	8.9	9.2	9.2	9.2	7.8	8.2	8.0
OTHER DURABLE GOODS	4.2	4.6	4.9	5.4	5.2	5.6	6.0	6.3	4.5	4.8	5.8
NON-DURABLE GOODS	12.6	14.8	12.0	12.9	13.1	13.2	13.4	12.8	12.9	13.2	13.2
FOOD & KINDRED PRODUCTS	7.4	7.7	7.7	7.7	7.7	7.7	7.7	7.7	6.8	7.2	7.7
TEXTILES & APPAREL	2.5	2.5	2.5	2.6	2.7	2.7	2.8	2.8	2.5	2.5	2.8
OTHER NON-DURABLES	2.5	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.3	2.6	2.6
MINING	2.7	2.9	3.0	3.0	2.8	3.0	2.9	3.0	2.3	2.9	2.9
CONTRACT CONSTRUCTION	6.1	6.0	10.0	9.0	11.4	9.0	9.0	9.0	7.8	9.3	9.7
RESIDENTIAL BUILDINGS	12.5	12.2	11.8	12.6	12.5	12.6	12.7	12.7	12.5	12.3	12.6
TRANSPORTATION	7.0	6.8	6.7	6.9	6.7	6.7	6.7	6.9	6.9	6.8	6.8
COMM. & PUBLIC UTIL.	5.4	5.4	5.2	5.7	5.8	5.8	5.9	5.8	5.6	5.4	5.8
WHOLESALE & RETAIL TRADE	39.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
WHOLESALE TRADE	16.0	16.5	16.9	16.7	16.4	16.9	17.0	16.7	16.4	16.6	16.7
DURABLE GOODS	7.2	7.4	7.7	7.6	7.4	7.7	7.7	7.5	7.5	7.5	7.6
NON-DURABLE GOODS	8.8	9.2	9.2	9.1	9.0	9.2	9.3	9.1	9.0	9.1	9.2
RETAIL TRADE	31.0	32.9	34.2	34.6	34.1	34.6	34.6	34.6	32.3	32.7	34.6
SERVICES	11.9	12.0	12.2	12.3	12.3	12.6	12.8	12.8	11.8	12.1	12.6
FIN., INS., & REAL ESTATE	37.0	38.3	38.3	37.0	38.2	39.5	38.2	37.9	36.6	36.7	38.0
GOVERNMENT											
AVERAGE WEEKLY HOURS											
MANUFACTURING	40.2	41.3	41.4	38.9	40.2	39.9	40.1	40.4	41.1	40.4	40.1
DURABLE GOODS	39.3	40.4	41.5	39.4	39.1	39.3	39.3	39.8	39.1	40.2	39.4
NON-DURABLE GOODS	40.9	42.2	41.2	42.6	42.0	43.3	43.1	43.0	43.0	41.7	42.9
LABOR FORCE (THOUSANDS)											
LABOR FORCE	318.1	339.8	336.7	329.0	321.9	342.1	351.3	338.4	327.9	330.9	338.4
UNEMPLOYMENT	23.6	18.6	14.9	13.4	18.4	14.9	14.1	15.1	18.2	18.2	15.6
UNEMPLOYMENT RATE (%)	7.4	5.5	4.4	4.7	5.7	4.4	4.3	4.5	5.5	5.5	4.6

S.D.S. UNIVERSITY OF SOUTH DAKOTA \$\$\$ FORECAST \$\$\$ FEBRUARY 1984

Table 7
SOUTH DAKOTA LABOR MARKET MODEL

SELECTED ECONOMIC INDICATORS

DESCRIPTION	ACTUAL DATA				FORECAST DATA				ANNUAL DATA		
	1983.1	1983.2	1983.3	1983.4	1984.1	1984.2	1984.3	1984.4	1982	1983	1984
SOUTH DAKOTA INDICATORS											
PERSONAL INCOME (MILLIONS)	6854.0	6937.0	6987.0	7192.7	7354.5	7546.2	7758.4	7974.0	6675.0	6993.2	7644.3
(% CHANGE)	-5.2	4.7	2.9	11.6	9.0	11.3	9.9	11.0	4.7	4.8	9.6
PERSONAL INCOME (1972 \$'S)	3243.2	3264.5	3258.9	3316.1	3346.4	3396.8	3434.4	3482.1	3251.3	3275.9	3416.2
(% CHANGE)	-7.3	0.2	-0.7	7.0	3.9	5.7	4.4	5.3	-1.0	0.8	4.3
NONFARM PERSONAL INCOME (MILLIONS)	6156.0	6270.0	6420.0	6588.0	6640.0	6820.9	6945.0	7126.2	6052.5	6343.5	6888.0
(% CHANGE)	-8.0	6.8	8.2	5.4	8.0	10.8	8.4	9.2	5.2	6.6	8.7
NONFARM PERSONAL INCOME (1972 \$'S)	2983.0	3010.8	3045.7	3052.7	3076.9	3116.7	3139.3	3168.8	2949.6	3022.9	3125.9
(% CHANGE)	-2.7	4.1	4.6	0.8	2.9	3.1	2.8	3.7	-2.6	2.3	3.4
WAGE & SALARIES (MILLIONS)	3207.0	3284.0	3350.0	3442.3	3525.7	3637.7	3704.3	3766.6	3088.7	3320.8	3664.1
(% CHANGE)	7.0	9.5	8.0	10.9	9.6	12.5	7.5	8.6	3.3	7.5	10.3
WAGE & SALARIES (1972 \$'S)	1526.4	1545.4	1562.5	1587.0	1604.8	1632.7	1640.7	1653.5	1504.5	1555.4	1633.2
(% CHANGE)	-45.4	-34.0	-36.4	-20.2	-4.4	-6.9	-3.1	-2.4	-3.4	-5.0	-5.0
FARM INCOME (MILLIONS)	609.0	592.0	474.0	586.6	613.9	641.4	684.2	735.1	633.2	554.6	668.6
(% CHANGE)	-63.3	-31.5	-52.8	75.3	18.1	16.8	24.0	26.5	0.6	-12.1	26.1
FARM INCOME (1972 \$'S)	289.9	281.2	221.1	271.4	279.4	287.9	302.9	321.0	308.5	286.8	298.0
(% CHANGE)	-45.4	-34.0	-36.4	-20.2	-4.4	-6.9	-3.1	-2.4	-3.4	-5.0	-5.0
TOTAL EMPLOYMENT (THOUSANDS)	294.5	321.2	321.8	313.4	303.5	327.2	337.2	323.4	310.0	312.7	322.8
(% CHANGE YEAR-TO-DATE)	0.3	1.0	-0.3	2.7	3.0	1.8	4.7	3.1	-2.5	0.9	3.2
MANUFACTURING EMPLOYMENT (THOUSANDS)	23.9	25.2	26.6	27.4	27.0	27.6	28.2	28.9	25.0	25.8	27.9
(% CHANGE YEAR-TO-DATE)	-5.4	-2.5	5.7	12.6	12.9	9.7	5.9	5.4	-3.2	1.0	8.3
UNEMPLOYMENT RATE (%)	7.4	5.5	4.4	4.7	5.7	4.4	4.3	4.5	5.5	5.5	4.6
U.S. INDICATORS											
REAL GNP (1972 \$'S)	1490.1	1525.1	1533.6	1578.6	1584.1	1594.3	1615.4	1634.2	1485.4	1534.8	1607.5
(% CHANGE)	-2.5	3.3	7.4	4.4	3.9	2.1	5.3	4.4	-1.9	3.3	4.7
GNP DEFATOR (1972 = 100)	212.8	214.6	216.3	218.0	221.8	225.1	228.6	232.4	206.9	215.4	227.0
(% CHANGE)	5.4	0.8	3.2	3.7	5.4	5.8	6.2	6.4	-6.4	4.2	5.3
PROD. CONSUM. DEF. (1972 = 100)	213.3	215.5	218.4	219.9	219.7	222.8	225.9	229.0	205.3	213.3	224.3
(% CHANGE)	2.1	4.5	3.6	4.6	5.1	5.6	5.5	5.5	5.8	4.0	5.1
CONG. PRICE INDEX (1967 = 100)	292.7	295.8	300.5	304.6	309.1	313.7	318.4	323.5	288.6	298.4	316.2
(% CHANGE)	-0.9	3.2	8.3	3.4	5.9	5.9	5.9	6.4	-6.0	6.4	6.0
UNEMPLOYMENT RATE (%)	7.4	5.5	4.4	4.7	5.7	4.4	4.3	4.5	5.5	5.5	4.6
TREASURY BILL RATE (91 DAY)	8.1	8.4	9.2	8.5	8.0	8.2	9.0	10.0	10.7	8.3	8.8

S.D.S. UNIVERSITY OF SOUTH DAKOTA \$\$\$ FORECAST \$\$\$ FEBRUARY 1984

Labor Market

We expect continued improvement in key labor market variables in 1984. Total employment is projected to increase by 4.0 percent, while non-agricultural wage and salary employment is projected to increase by 5.3 percent. Manufacturing employment is slated to increase by 17.0 percent. Other fast growth industries in terms of employment are services and finance, insurance and real estate. The unemployment rate is also expected to show improvement in 1984 with a drop from 5.5 percent rate of 1983 to 4.7 percent in 1984. A detailed presentation of employment, hours worked, and unemployment is shown in Table 6. A summary table of selected economic variables is shown in Table 7.

We expect the pace of recovery to quicken and become more broad-based in 1984.

FOOTNOTES

¹Citicorp Economic Forecast Service, New York, New York.

²U.S. Department of Agriculture, 1984 forecast.

Dear Readers:

The publication schedule of the *Business Review* is being changed to allow for the timely reporting of the sales tax data semi-annual review. Indeed, the publication of this

The Possibility of Dual Economies in South Dakota

Introduction and Hypothesis

Recent economic events have led to concern that a dual economy has developed in the state of South Dakota. Those who have hypothesized the existence of the two economies argue that the economies of the larger cities are more diversified and growing more rapidly because of less reliance on the troubled agricultural sector. Also, the urban economy is expected to be more responsive to the current national economic recovery. On the other hand, it is thought that the smaller rural economies being more reliant on the agricultural sector are experiencing much slower growth and possibly structural changes having long run implications for the state. Further, it is expected that the larger cities' more diversified economies are less volatile than the rural economy.

The two economies are reviewed from a historical perspective in terms of personal income and taxable sales. Availability of data restricts the discussion of both factors to the five year period of 1977 through 1981. The 1981 personal income data is the latest available and the reliability of sales tax data deteriorates prior to 1977. However, 1982 and 1983 taxable sales figures are available and are presented later in the discussion.

Demographics of County Divisions

The counties herein are defined as "urban" and "rural" for ease of reference. The counties that contain the ten largest cities in South Dakota, as counted in the 1980 federal census, are defined as being urban and the other counties in the state are defined as being rural. This classification system is solely for ease of reference to the counties and does not follow the census definitions of the terms. The ten largest cities and the counties in which they are located are presented in Table 1. Lincoln county is considered a rural county throughout this article even though a small portion of Sioux Falls is located in it. The counties designated herein as urban contain approximately fifty percent of the state's population. The ten largest cities alone contain more than one third of the state's population. The per capita personal income in South

Dakota in 1980 was approximately 7,734 dollars. The per capita personal income in the urban counties exceeded that in the rural counties by nearly 1900 dollars. Urban per capita income was approximately 8,667 dollars while the per capita income in the rural counties in 1980 was 6,776 dollars.

Table 1
10 Largest Cities-South Dakota

Incorporated Places	Counties	1980 Rank	Population 1980	1970
Sioux Falls city ¹	Total	1	81,343	72,488
	Lincoln (pt. in)		161	---
	Winneshka (pt. in)		81,182	72,488
Rapid City city	Pennings	2	40,492	43,930
Aberdeen city	Brown	3	25,956	26,476
Watertown city	Codrington	4	15,649	13,388
Brookings city	Brookings	5	14,951	12,717
Mitchell city	DeSoto	6	13,918	13,425
Huron city	Beadle	7	13,000	14,299
Vankton city	Yankton	8	12,011	11,918
Pierre city	Hughes	9	11,973	9,699
Vermillion city	Clay	10	10,136	9,128

¹Sioux Falls is considered as being solely in Winneshka County in this paper.

Personal Income

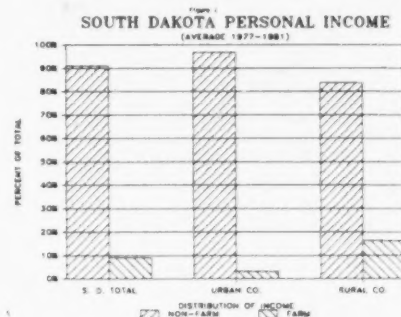
Five years of personal income including the annual percentage changes are presented in Table 2. Personal income is disaggregated not only for the urban and rural division previously discussed but farm and non-farm income are also identified separately. The farm and non-farm income separation reveals a stable growth pattern in non-farm income and an oscillating pattern of growth and retraction in farm income.

Table 2
South Dakota Personal Income
Actual Income and Percentage Change

	1977	1978	1979	1980	1981
STATE	4,021,319	4,582,222	5,153,758	5,334,640	6,056,585
	14.9%	13.9%	12.5%	3.5%	13.6%
NON-FARM	3,634,543	4,058,603	4,540,523	5,035,556	5,607,586
	11.2%	11.7%	11.9%	10.9%	11.4%
FARM	386,776	523,619	613,235	299,104	450,999
	64.5%	35.4%	17.1%	-51.2%	50.8%
URBAN CO.'S	2,197,012	2,485,996	2,802,963	2,997,593	3,373,745
	13.2%	13.2%	12.8%	6.9%	12.5%
NON-FARM	2,113,586	2,386,564	2,679,101	2,957,193	3,271,795
	12.7%	12.9%	12.3%	10.4%	10.6%
FARM	83,426	99,432	123,862	40,360	100,950
	80.5%	19.1%	24.6%	-67.4%	146.5%
RURAL CO.'S	1,824,307	2,096,256	2,350,795	2,337,107	2,686,640
	16.7%	14.9%	12.1%	-0.6%	15.0%
NON-FARM	1,520,957	1,672,379	1,861,422	2,076,363	2,336,191
	10.6%	9.9%	11.3%	11.7%	12.4%
FARM	303,350	424,117	489,373	260,744	350,449
	60.4%	39.8%	15.8%	-47.1%	35.5%

The annual total personal income growth rates for the urban and rural counties differ considerably. Over the five year period observed, the growth in total income in the urban counties exceeded that of the rural counties by 6.2 percentage points. The urban increase was 53.5 percent and the rural was 47.3 percent. However, the five year urban and rural county non-farm increase was much closer. Non-farm urban income increased 54.8 percent and rural non-farm increased 53.6 percent which is a difference of only 1.2 percentage points. Most of the volatility observed in the total personal income figures in this period is attributable to farm income. The degree of

impact resulting from large swings in farm income differs between urban and rural counties. Farm income represented a much greater share of total income in the rural counties than it did in the urban counties. See Figure 1. The proportional share of total income attributable to farm income in the rural counties relative to that of urban counties dictates that farm income would have a greater impact on the rural counties.



Total VS. Earned Personal Income

Total income as used here is as defined by the U.S. Department of Commerce which includes income from all sources plus a residence adjustment. Total personal income includes government transfer payments, dividends plus interest and rent, and total earned income less social security payments. The residence adjustment is a factor designed to equalize the cost of housing to facilitate income comparisons in different geographic areas. The calculation of total personal income of the state is presented in Table 3.

Table 3
Calculation of South Dakota
Personal Income

	1977	1978	1979	1980	1981
TOTAL EARNINGS	2,877,713	3,320,350	3,706,916	3,592,530	3,999,124
(SOCIAL SECURITY)	(158,283)	(180,241)	(208,205)	(225,496)	(242,216)
ADJ. FOR RESIDENCE	3,603	8,000	5,501	6,547	7,810
NET EARNINGS	2,723,033	3,148,109	3,504,212	3,373,581	3,764,718
DIVIDENDS+INT+RENT	748,873	844,300	986,503	1,185,243	1,499,122
TRANSFER PAYMENTS	549,413	591,813	683,193	775,841	884,725
TOTAL INCOME	4,021,319	4,582,222	5,153,758	5,334,640	6,056,585

The annual changes in earned income are contrasted with total personal income in Table 4. Earned income is the difference between total personal income and nonearned income. Note that in 1980 and 1981, the nonearned sources of income substantially outperformed the earned income. The superior performance of nonearned income was the result of turbulent economic conditions.

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Table 4
Changes in Components of South Dakota
Personal Income

	1977	1978	1979	1980	1981
TOTAL INCOME	14.8%	13.9%	12.9%	3.5%	13.8%
NON-EARNED INCOME	11.0%	10.8%	14.7%	10.9%	18.5%
EARNED INCOME	15.8%	15.4%	11.6%	-3.1%	11.0%
DIFFERENCE	-4.8%	-4.4%	3.1%	22.0%	7.9%

Non-Earned Income = Dividends + Interest + Rent + Transfer Payments

The early 80's was a period of high inflation, increased interest rates on borrowed funds and deregulation of interest rates on personal savings. President Carter responded to the escalating double digit inflation problem in 1980 by requesting that the Federal Reserve Board institute restrictive credit policies. The President with the cooperation of the Federal Reserve Board through its policies slowed inflation by easing demand through higher cost credit. One indicator of the general interest rate level, the prime interest rate, peaked in January of 1981 at 21.5%. Unearned income increased with the interest rates but the cost of borrowed funds also increased which was an important factor for business including South Dakota's credit dependent farm economy.

Taxable Sales in South Dakota

The taxable sales data for the state and annual percentage changes are presented in Table 5. The data was not adjusted for inflation nor was it adjusted to reflect the significant influence of legislative change. The 1979 Legislature passed two general revenue measures that had offsetting effects on the taxable sales data. The legislature broadened the sales tax to include services as taxable in addition to the already taxed tangible personal property. That action increased the sales tax base. The Legislature enacted the contractors' excise tax which in its 1979 form exempted materials used in construction from the sales tax which decreased the sales tax base. The contractors' excise tax collections were held separate from the sales tax data. The 1980 Legislature reenacted the sales tax on materials but the impact of the 1979 exemption lasted through 1981 and into 1982. The point is, actual taxable sales data fails to accurately reflect the changes in dollar volume of retail sales and business activity because changes in the law as well as business condition changes are reflected in the data. Legislative changes were removed from the adjusted taxable sales data presented in Table 6.

Table 5
Taxable Sales Counties

	1976	1977	1978	1979	1980	1981
S.D. TAXABLE	2,030,394,050	2,237,584,962	2,565,140,362	2,764,209,621	2,817,187,467	3,022,557,751
URBAN	1,377,501,073	1,520,857,197	1,736,030,917	1,864,627,788	1,905,814,304	2,046,410,088
RURAL	652,892,977	716,727,765	829,109,445	899,581,833	911,373,163	976,147,663
S.D. TAXABLE	ANNUAL % CHANGE	10.2%	14.6%	7.8%	1.9%	7.3%
URBAN		10.4%	14.1%	7.4%	2.2%	7.4%
RURAL		9.8%	15.7%	8.5%	1.3%	7.1%

Table 6
Adjusted Taxable Sales Counties

	1976	1977	1978	1979	1980	1981
S.D. TAXABLE	2,085,214,689	2,299,118,548	2,636,451,264	2,843,266,016	2,825,920,748	3,022,557,751
URBAN	1,414,693,602	1,562,680,770	1,784,292,576	1,917,956,143	1,911,722,328	2,046,410,088
RURAL	670,521,087	736,437,779	852,158,688	925,309,873	914,198,420	976,147,663
S.D. TAXABLE	ANNUAL % CHANGE	10.3%	14.7%	7.8%	-0.6%	7.0%
URBAN		10.5%	14.2%	7.5%	-0.3%	7.0%
RURAL		9.8%	15.7%	8.6%	-1.2%	6.8%

Regardless of whether one looks at the actual taxable retail sales or the adjusted taxable retail sales, little evidence exists within the data that the urban and rural counties participated in a dual economy during this time period. The superior growth performance vascillated between the urban and rural counties with a 1.6 percentage difference being the largest variance.

Personal Income and Taxable Sales

The importance of income as it relates to taxable sales is measurable. The expected impact on taxable sales from increases in personal income and earned income can be estimated. Reservation should be exercised in assessing these estimates in that only six years of data were used.

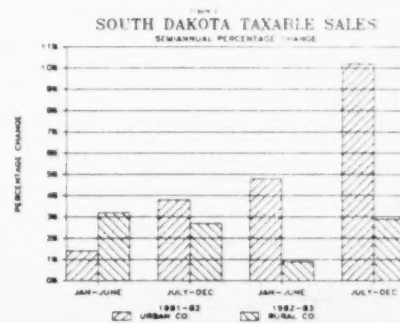
The data suggests a greater percentage of earned income is spent on taxable goods and services than is total personal income. Statistical measures indicate that for each additional 1,000 dollars of "personal" income in South Dakota, 399 dollars will be spent on items sales taxable. Also at the state level, for each 1,000 dollars of "earned" income, that income coming from productive activity, 666 dollars will be spent on sales taxable items.

The urban and rural counties differ in this regard. A 1,000 dollar increase in personal income in the urban counties increases taxable sales 468 dollars while the same income change in the rural counties increases taxable sales 304 dollars. The difference between the urban and rural counties is similar when earned income is considered. The urban taxable sales are expected to increase 693 dollars for each 1000 dollars of earned income whereas the rural sales are expected to increase only 560 dollars.

The differences in expected expenditures in the urban and rural counties indicates that at least one type of dual economy exists in the counties as they are divided. However, this type of dual economy does not impact growth patterns in taxable sales data. As long as the relationship of income and taxable sales remains relatively constant, the growth pattern of taxable sales will not be affected by this factor.

Today and Tomorrow

The historical data observed did not support the hypothesis that a dual economy exists in South Dakota. The 1982 taxable sales data performed in a consistent manner with the five years observed. See Figure 2. Rural sales exceeded urban sales in the first 6 months of the year and the contrary was true in the second half of the year. However, the superior performance of taxable sales growth in the urban counties in 1983 does clearly support the hypothesis that the counties containing the larger cities are participating in a different business environment than their neighbors in the smaller cities and towns. Of the years reviewed, by far the largest growth rate differences in sales tax remittances occurred in the second half of 1983. The dual economy appears to exist as a recent phenomena.



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GROSS SALES AND USE TAX
Counties and Selected Cities in South Dakota
1982 and 1983
(In \$000's)

	Jan-Dec 1982	Jan-Dec 1983	% Change 1983/1982		Jan-Dec 1982	Jan-Dec 1983	% Change 1983/1982		Jan-Dec 1982	Jan-Dec 1983	% Change 1983/1982
REGION I				REGION III				REGION V			
Brookings	199,924	217,596	8.8	Aurora	21,024	24,682	17.4	Buffalo	1,230	1,084	-11.9
Brookings	172,388	189,593	10.0	Plankinton	9,605	9,955	3.6	Campbell	13,420	14,241	6.1
Elkton	7,270	6,192	-14.8	Bon Homme	56,045	60,065	7.2	Herreid	8,611	9,497	10.3
Volga	6,844	6,611	-3.4	Avon	11,502	12,613	9.7	Pollock	3,632	3,638	.2
Clark	29,456	30,214	2.6	Scotland	13,007	11,815	-9.2	Corson	14,400	14,819	2.9
Clark	19,460	20,809	6.9	Springfield	8,763	9,424	7.5	Mc Intosh	2,945	3,044	3.4
Codington	292,395	302,059	3.3	Tyndall	16,853	19,729	17.1	Mc Laughlin	7,591	8,316	9.5
Watertown	281,733	289,005	2.6	Tabor	5,808	6,260	7.8	Dewey	25,346	26,170	3.3
Deuel	30,841	29,746	-3.6	Brule	61,981	67,953	9.6	Eagle Butte	11,645	12,838	10.2
Clear Lake	18,222	18,508	1.6	Chamberlain	46,700	52,892	13.3	Isabel	5,167	5,331	3.2
Gary	2,402	2,394	-.3	Kimball	13,227	13,088	-1.0	Timber Lake	6,154	5,710	-7.2
Grant	84,886	82,356	-3.0	Charles Mix	78,846	79,764	1.2	Haakon	35,264	35,729	1.3
Big Stone	2,770	2,775	.2	Geddes	6,046	5,679	-6.1	Phillip	31,875	33,202	4.2
Milbank	72,312	70,539	-2.5	Lake Andes	9,434	8,960	-5.0	Hughes	148,143	167,760	13.2
Hamlin	35,095	32,303	-8.0	Platte	26,801	29,553	10.3	Blunt	7,310	7,242	-.9
Bryant	6,643	6,234	-6.2	Wagner	34,224	33,036	-3.5	Pierre	138,351	157,991	14.2
Castlewood	4,762	4,569	-4.1	Davison	265,897	298,588	12.3	Hyde	21,597	23,883	10.6
Estelline	7,258	6,143	-15.4	Mitchell	252,244	285,371	13.1	Highmore	21,164	22,643	7.0
Hayti	6,537	5,582	-14.6	Douglas	33,643	32,767	-2.6	Jones	21,056	20,654	-1.9
Kingsbury	61,785	58,797	-4.8	Armour	10,574	10,967	3.7	Murdo	18,520	18,448	-.4
Arlington	18,972	18,371	-3.2	Corsica	19,512	18,384	-5.8	Lyman	22,816	22,645	-.7
De Smet	16,860	16,416	-2.6	Gregory	53,842	53,429	-.8	Presho	7,126	6,322	-11.3
Lake Preston	8,052	6,981	-13.3	Burke	8,788	9,768	11.2	Mellette	5,175	5,012	-3.1
Lake	96,139	106,512	10.8	Gregory	26,727	26,765	.1	White River	3,295	3,415	3.6
Madison	85,309	94,845	11.2	Hanson	29,369	27,792	-5.4	Perkins	35,379	34,095	-3.6
Miner	24,497	25,183	2.8	Alexandria	18,372	17,924	-2.4	Leimon	28,692	27,291	-4.9
Howard	17,419	18,014	3.4	Emery	6,856	5,273	-23.1	Potter	47,613	46,363	-2.6
Moody	55,615	56,585	1.7	Hutchinson	107,887	114,692	6.3	Gettysburg	30,249	30,545	1.0
Colman	26,693	30,027	12.5	Freeman	48,627	47,029	-3.3	Hoven	14,520	12,157	-16.3
Flandreau	23,038	21,955	-4.7	Menno	10,682	16,570	55.1	Stanley	18,347	18,047	-1.6
TOTAL	910,634	941,358	3.4	Parkston	30,801	33,654	9.3	Fort Pierre	18,320	17,862	-2.5
				Tripp	7,821	7,967	1.9	Sully	15,850	16,458	3.8
REGION II				Jerauld	37,716	42,811	13.5	Onida	14,255	14,930	4.7
Clay	77,362	80,334	3.8	Wessington Spr.	29,816	33,446	12.2	Tripp	77,407	80,706	4.3
Vermillion	69,664	72,266	3.7	Sanborn	19,196	19,983	4.1	Winner	74,438	73,658	-1.0
Lincoln	81,717	96,201	17.7	Woonsocket	14,065	14,603	3.8	Todd	16,931	17,420	2.9
Canton	40,142	47,042	17.2	Yankton	267,338	268,907	.6	Mission	15,134	14,575	-3.7
Hudson	4,711	5,098	8.2	Yankton	246,871	245,249	-.7	Walworth	76,917	79,294	3.1
Lennox	10,460	10,541	.8	TOTAL	1,032,784	1,091,432	5.7	Mobridge	49,652	50,286	1.3
Mc Cook	59,824	59,768	-.1					Selby	18,966	20,581	8.5
Bridgewater	12,111	11,425	-5.7	REGION IV				Ziebach	5,291	5,115	-3.3
Canistota	4,712	4,199	-10.9	Beadle	210,986	196,185	-7.0	Dupree	5,007	4,883	-2.5
Salem	31,895	31,152	-2.3	Huron	190,626	173,290	-9.1	TOTAL	602,180	629,495	4.5
Spencer	5,116	6,325	23.6	Brown	470,704	488,145	3.7				
Minnehaha	1,818,618	1,925,889	5.9	Aberdeen	424,535	442,533	4.2	REGION VI			
Brandon	7,617	8,521	11.9	Groton	19,571	21,228	8.5	Bennett	23,480	26,580	13.2
Colton	13,336	12,857	-3.6	Day	61,436	61,554	.2	Martin	22,981	26,260	14.3
Dell Rapids	24,612	26,778	8.6	Bristol	6,270	6,420	2.4	Butte	70,920	67,757	-4.5
Garretson	12,617	13,065	3.5	Waubay	3,557	3,675	3.3	Belle Fouché	57,860	54,649	-5.6
Hartford	11,391	11,733	3.0	Webster	42,565	42,337	-.5	Newell	8,025	7,694	-4.1
Sioux Falls	1,637,655	1,748,489	6.8	Edmunds	44,212	45,378	2.6	Custer	35,931	40,296	12.1
Turner	76,156	78,429	3.0	Bowdle	10,173	9,991	-1.8	Custer	32,612	36,154	10.9
Centerville	6,955	7,458	7.2	Hosmer	2,691	2,747	2.1	Fail River	43,593	44,706	2.6
Marion	20,018	26,494	32.4	Ipswich	21,989	23,559	7.1	Edgemont	10,184	10,411	2.2
Parker	18,209	17,158	-5.8	Roscoe	6,000	5,410	-9.8	Hot Springs	28,434	28,897	1.6
Viborg	9,996	11,039	10.4	Faulk	18,242	19,345	6.0	Harding	6,329	5,730	-9.5
Union	123,979	160,560	29.5	Faulkton	8,210	8,186	-.3	Buffalo	5,480	4,937	-9.9
Alcester	18,537	18,202	-1.8	Hand	39,475	37,986	-3.8	Jackson	19,740	20,246	2.6
Beresford	34,204	35,912	5.0	Miller	34,680	32,299	-6.9	Kadoka	17,210	17,648	2.5
Elk Point	25,319	23,598	-6.8	McPherson	23,796	23,598	-.8	Lawrence	216,528	284,709	31.5
North Sioux City	38,927	21,394	-45.0	Eureka	16,951	16,674	-1.6	Deadwood	45,936	48,541	5.7
TOTAL	2,237,656	2,401,180	7.3	Leola	5,907	6,060	2.6	Lead	95,148	155,820	63.8
				Marshall	41,511	42,110	1.5	Spearfish	54,274	57,691	6.3
				Britton	24,098	23,610	-2.0	Whitewood	8,988	9,278	3.2
				Roberts	66,284	63,160	-4.7	Meade	84,854	87,613	3.3
				Sisseton	31,545	29,272	-7.2	Faith	9,366	8,893	-5.1
				Wilmot	10,389	10,781	3.8	Sturgis	61,668	63,600	3.1
				Spink	53,569	54,599	1.9	Pennington	1,102,156	1,164,817	5.7
				Doland	2,877	2,953	2.7	Rapid City	1,021,834	1,075,570	5.3
				Redfield	37,137	37,493	1.0	Wall	28,672	29,543	3.0
				TOTAL	1,030,215	1,032,068	.2	Shannon	7,224	6,853	-5.1
								Pine Ridge	2,638	2,591	-1.8
								Washabaugh	464	630	35.8
								TOTAL	1,611,218	1,749,935	8.6
								STATE TOTAL	7,424,686	7,845,467	5.7

SOUTH DAKOTA INCOME AND EMPLOYMENT

TOTAL PERSONAL INCOME
United States, Plains Region and States
Third Quarter 1982-Third Quarter 1983
(Millions of Dollars, Seasonally Adjusted at Annual Rates)

	1982		1983			% Change
	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	3rd Qtr. 1983 3rd Qtr. 1982
United States	2,584,721	2,625,286	2,650,509	2,709,137	2,755,061	6.6
Plains States	186,554	191,746	193,034	196,744	199,458	6.9
Iowa	31,191	32,207	32,343	32,818	33,027	5.9
Kansas	28,203	28,960	28,941	29,473	29,941	6.2
Minnesota	46,064	47,317	47,421	48,616	49,444	7.3
Missouri	50,557	51,431	52,294	53,368	54,341	7.5
Nebraska	16,841	17,412	17,538	17,748	17,964	6.7
North Dakota	7,167	7,474	7,642	7,785	7,755	8.2
South Dakota	6,531	6,945	6,856	6,937	6,987	7.0

Note: Detail may not add to totals because of rounding

Source: U.S. Department of Commerce, Bureau of Economic Analysis

SOUTH DAKOTA NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT Dec. 1983 and Dec. 1982 (In Thousands)

				Average Weekly Hours		Average Hourly Earnings	
	Dec. 1983	Dec. 1982	% Change	Dec. 1983	Dec. 1982	Dec. 1983	Dec. 1982
Total Employment	233.7	288.7	2.2				
Mining	2.7	2.7	.0				
Construction	7.7	7.3	5.5				
Manufacturing	26.5	24.1	10.0	42.6	40.7	\$7.08	\$7.44
Durable Goods	13.9	11.5	20.9	42.6	39.0	6.88	6.81
Fabricated Metals & Mach.	9.5	7.1	33.8				
Nondurable Goods	12.5	12.6	-.8	42.7	42.4	7.31	7.98
Food & Kindred Products	7.2	7.7	-6.5				
Paper, Printing & Publishing	2.5	2.4	4.2				
Transportation & Pub. Utilities	12.1	12.5	-3.2				
Transportation	6.7	7.0	-4.3				
Communication & Pub. Utilities	5.4	5.5	-1.8				
Wholesale & Retail Trade	61.8	60.7	1.8				
Wholesale Trade	16.8	16.0	5.0				
Durable Goods	7.6	7.2	5.6				
Nondurable Goods	9.2	8.8	4.5				
Retail Trade	45.0	44.7	.7				
Finance, Insurance & Real Estate	12.6	12.0	5.0				
Services	52.1	51.6	1.0				
Hotels, Amuse., Pers. & Business	13.4	12.8	4.7				
Medical & Health	21.7	21.7	.0				
Educational, Membership & Social	13.9	14.2	-2.1				
Government	58.3	57.8	.9				
Federal	10.2	10.2	.0				
State	16.5	16.2	1.9				
State Education	8.5	8.4	1.2				
Local	31.6	31.4	.6				
Local Education	18.6	18.4	1.1				

Source: South Dakota Department of Labor, "Labor Bulletin"

SOUTH DAKOTA AGRICULTURAL INDICATORS

CROP PRODUCTION SUMMARY

South Dakota
Dec. 1, 1983
(000's Bushels)

Crop	Thousand Bushels	
	1982	1983
Wheat, All	99,630	89,729
Winter	37,400	51,250
Durum	3,480	2,079
Other Spring	58,750	36,400
Barley	23,435	23,100
Oats	133,800	79,200
Rye	4,680	8,740
Corn, Silage	4,080	2,688
Corn, Grain	192,720	103,400
Flaxseed	3,335	1,365
Soybeans	24,400	24,778
Sorghum, Silage	470	456
Sorghum, Grain	17,250	13,630
Sunflowers	659,980	475,700
Potatoes, Fall	1,550	2,079
Hay, All	8,635	7,826
Alfalfa Hay	5,880	5,616
All Other Hay	2,755	2,210

Source: S.D. Crop & Livestock Reporter

PRICES RECEIVED BY FARMERS FOR COMMODITIES SOLD--SOUTH DAKOTA Dec. 1982 and Dec. 1983

Commodity and Unit		Base Period Price 1910-1914 Average	Dec. 1982	Dec. 1983	Dec.1983 Price as % of Base	Dec. 1983 Price Above or Below Dec. 1982
Wheat	Bu.	.85	3.41	3.50	412	2.6
Corn	Bu.	.51	1.93	2.89	567	49.7
Oats	Bu.	.35	1.37	1.68	480	22.6
Barley	Bu.	.59	1.54	2.24	380	45.5
Flaxseed	Bu.	1.68	4.89	6.10	363	24.7
Milk, Whtl.	Cwt.	1.82	1/	1/		
Eggs	Doz.	.196	1/	1/		
Cattle	Cwt.	5.24	53.50	55.50	1059	3.7
Calves	Cwt.	6.08	64.10	66.00	1085	3.0
Hogs	Cwt.	7.07	53.90	44.90	635	-16.7
Sheep	Cwt.	4.24	16.20	17.70	417	9.3
Lambs	Cwt.	5.66	49.70	55.70	984	12.1
Wool	Lb.	.178	.52	.54	303	3.8

1/ Season Average price only

Source: South Dakota Crop and Livestock Reporter

SOUTH DAKOTA LOCAL CONDITIONS INDICATORS (Percentage Change Like Period Previous Year)

City	Taxable Sales ¹			Telephone ²	Housing ¹	Postal ³	Employment ²
	Total	Retail	Services	Services ²	Starts ¹	Indicator ³	
Aberdeen	5.4	6.2	12.6	1.4	144.3	-12.9	-0.5
Belle Fourche	-1.5	-2.4	2.1	-1.0	324.1	NA	-8.9
Brookings	2.7	1.8	6.1	NA	158.9	-13.0	
Canton	2.0	6.3	-3.6	0.8	NA	NA	7.3
Chamberlain	1.1	7.6	-0.3	2.7	NA	NA	0.4
Deadwood	5.0	2.4	16.7	0.6	NA	NA	-11.1
DeSmet	7.5	8.4	1.8	-0.3	NA	NA	-5.6
Elk Point	3.5	6.1	5.5	-1.1	NA	NA	-10.1
Huron	1.3	-2.4	1.1	-0.1	103.8	129.8	-8.9
Lead	22.9	5.3	17.2	-0.8	NA	NA	-5.2
Madison	6.4	8.1	-0.4	0.6	50.8	NA	-6.6
Milbank	-4.0	5.7	18.6	0.2	208.5	NA	5.5
Mitchell	5.0	1.7	12.6	0.2	-26.6	12.5	-2.0
Mobridge	2.8	4.2	2.1	1.4	-70.4	NA	-4.2
Pierre	6.9	7.6	6.1	2.1	80.6	-27.4	1.8
Rapid City	14.1	9.6	7.2	4.9	445.1	43.6	2.8
Redfield	1.5	3.3	9.0	-0.2	NA	NA	-5.4
Sioux Falls	10.0	21.3	14.8	3.9	233.1	-3.8	
Sturgis	6.3	5.3	14.1	3.1	NA	NA	16.7
Tyndall	-0.2	0.8	1.8	-0.5	NA	NA	-3.8
Vermillion	4.5	0.5	10.1	3.7	3.5	NA	-0.7
Watertown	3.8	0.3	7.2	2.2	81.7	6.5	-1.4
Webster	0.9	-3.1	10.6	-0.2	NA	NA	-1.5
Wessington Spgs.	-0.1	2.3	-8.3	-0.1	NA	NA	-7.7
Winner	3.5	2.2	6.1	0.9	NA	NA	-3.6
Yankton	0.9	-0.5	4.1	2.0	-19.8	47.3	-1.3

*Based on County Data

¹Percentage change for year 1982 and 1983. Data reported for housing are for the value of housing starts.

²Percentage change for December 1982 and 1983. Telephone data are for the number of access lines in service.

³Percentage change for fourth quarter 1982 and 1983. Included in postal indicator are: postage stock sales, printed stamped envelopes, postage meters for customers, permit imprint postage (3rd class regular), and second class postage.

SOUTH DAKOTA Business Review

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SCHOOL OF BUSINESS
THE UNIVERSITY OF SOUTH DAKOTA
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(Continued from page 8)

Conclusions and Speculations

It is yet to be determined if the rural counties are lagging the urban county recovery or whether the rural county recovery rests on a factor or number of factors different from those affecting the urban county economies. The dependence of the rural counties on agricultural income in a depressed agricultural economy is the main factor suspected. Related factors or concerns are the farmers' debt load and debt repayment ability. Farm income appears to be decreasing. Parity, a measure of farm commodity prices relative to operating costs, decreased from a period high of 71 in 1978 and 1979 to a low of 56 in 1983. A major

factor affecting operating costs was the relatively high interest rates of the 1980's which were referenced earlier. It is doubtful that many farmers planned for interest rates of the 1980's magnitude in their business plans in the late 1970's and possibly fewer still thought interest rates would remain as high as they have. It is probable that farmers are currently trying to adjust their credit position or are increasing their liquidity assuming the higher interest rates are here for some time to come. An aggravation to the liquidity problem is the decreasing land values in some areas. Farmers may be forced to seek liquidity because the value of the asset used for collateral on their

debt is decreasing.

The primary impacts of the above factors appear to be showing up in current taxable sales. The secondary impacts, the long term impacts, will depend on the ability of the farm community to adjust to the 80's business climate or for improvements to occur in that climate. Because of the circumstances listed and others not mentioned, some farmers may be forced out of the business and their exit will have considerable impacts on businesses, schools and other community institutions in South Dakota. These concerns will need to be addressed if the long run adjustment feared occurs.

CONSUMER PRICE INDEX

United States
Jan.-Dec. 1983
(1967=100)

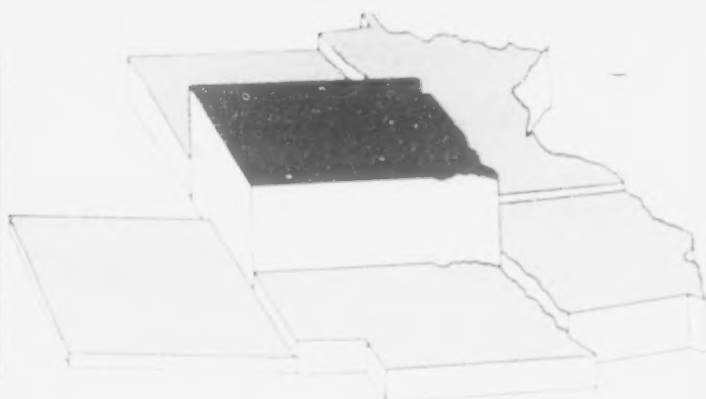
Item	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	Unadjusted % Change Jan.-Dec. 1983
All Items	293.1	293.2	293.4	295.5	297.1	298.1	299.3	300.3	301.8	302.6	303.1	303.5	3.5
Food & beverages	280.7	281.6	283.2	284.6	285.0	284.7	284.7	284.9	285.3	285.7	285.3	286.5	2.1
Food	288.1	289.0	290.5	291.9	292.4	292.0	292.0	292.2	292.6	292.9	292.5	293.9	2.0
Alcoholic beverages	211.6	213.3	215.1	216.1	216.6	217.0	217.2	217.1	218.4	218.9	218.6	218.1	3.1
Housing	317.9	318.5	318.6	320.3	321.8	323.1	324.5	324.8	326.4	326.8	327.0	327.4	3.0
Shelter	338.3	339.2	339.3	341.7	342.7	343.6	345.3	346.6	348.5	349.8	351.1	351.8	4.0
Renters' Costs	100.8	101.2	101.4	101.8	102.2	102.5	103.1	103.7	104.4	104.8	105.0	105.1	4.3
Homeowners' Costs	100.7	100.9	100.9	101.7	102.0	102.2	102.7	103.0	103.5	103.9	104.3	104.5	3.8
Fuel & Other Utilities	365.4	364.6	363.8	363.6	369.3	373.6	375.5	375.1	376.4	374.4	371.3	370.6	1.4
Fuel	463.5	461.5	459.7	459.2	468.3	475.2	477.7	476.5	478.3	474.4	468.1	467.4	0.8
Fuel oil, coal & bottled gas	671.1	654.0	625.3	610.6	621.0	620.0	619.7	619.0	623.2	624.7	623.9	623.9	-7.0
Gas (piped) & electricity	413.5	414.5	418.0	420.5	429.1	437.4	440.5	439.1	440.5	435.6	428.2	427.5	3.4
Other util. & Pub. services	210.1	210.9	211.4	211.7	212.5	213.2	214.2	214.8	215.4	215.8	217.3	216.5	3.0
Household furnishing & operation	235.8	236.7	237.6	239.0	238.4	238.6	238.9	238.0	238.9	239.4	239.9	240.5	2.0
Apparel & upkeep	191.0	192.0	194.5	195.5	196.1	195.6	195.0	197.3	200.4	200.7	200.7	199.3	4.3
Transportation	293.0	289.9	287.4	292.3	296.2	298.3	300.4	302.4	303.7	305.0	306.3	306.3	4.5
Private transportation	288.4	285.2	282.7	287.5	291.7	293.8	296.0	298.0	299.2	300.4	301.7	301.8	4.6
Public transportation	357.7	355.2	354.5	361.1	359.2	361.2	363.2	365.0	366.6	368.2	370.3	369.0	3.2
Medical care	347.8	351.3	352.3	353.5	354.3	355.4	357.7	360.0	361.2	362.9	364.9	366.2	5.3
Entertainment	241.5	243.1	244.6	244.6	244.8	245.4	246.0	246.6	247.5	249.1	249.5	249.5	3.3
Other goods and services	279.9	281.6	281.9	283.2	283.6	284.5	287.5	289.0	294.4	296.8	298.1	298.6	6.7

*Consumer Price Index for all Urban Consumers

Source: Bureau of Labor Statistics, U.S. Dept. of Labor

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General Indicators	Latest Quarter	SOUTH DAKOTA			UNITED STATES		
		Latest Quarter	Year Ago	Percent Change	Latest Quarter	Year Ago	Percent Change
Personal Income (\$ Mil.)	1983-4	7,116	7,004	1.6	2,824,210	2,625,190	7.6
Farm Prop. Income (\$ Mil.)	1983-4	526	814	-35.4	20,473	25,752	-20.5
Non-ag Employment (Thous.)	1984-1	230	224	2.7	92,256	88,815	3.9
Unemployment (%)	1984-1	5.3	7.0	-24.3	8.3	11.2	-25.9
Total Employment (Thous.)	1984-1	302	293	3.1	102,000	97,507	4.6

Note: U.S. & S.D. income data are seasonally adjusted; employment-related data are not seasonally adjusted except U.S. non-agricultural employment.

The Role of Trading Companies in Stimulating Exports

Allen H. Vargas

Background:

Trading companies have been in existence for centuries, actively participating in the promotion of world trade. The modern concept of trading companies, however, can be traced back to the 17th and 18th centuries when two famous trading companies appeared in the Western Hemisphere as part of the colonization of the New World: The East India Company and The Hudson Bay Company, this last one still operating in Canada.^{1, 2}

In the East, the general trading companies or Sogo Shosha can be traced back to the Meiji Restoration of the mid-nineteenth century when Japan changed from an isolated feudal state to an industrial nation. The need to earn foreign exchange to pay for weapons to modernize Japan's armed

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forces provided the stimulus to form trading companies. With the encouragement of the Meiji leadership, the Mitsui clan founded the first major Japanese trading company which was the first of several that later would dominate Japan's trade.³

It would be difficult to study trading companies without focusing on the Japanese model because at the present time a few Japanese trading companies are the largest and the most successful in the World. Smaller trading companies can be found in South Korea, Great Britain, Israel, South Africa, Hong Kong and other countries.⁴ To answer the issues posed in this report the analysis will focus on the way Japanese trading companies operate, how and why they stimulate exports and what are the effects of their worldwide activities for both developed and underdeveloped nations (developed countries, newly industrialized countries and less developed countries - DC's, NIC's, and LDC's).

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The Japanese trading companies of today are very large multinational businesses because Japan has had to trade in order to survive, its laws and institutions are designed to promote trade.⁵ Japan has been forced to look for and import raw materials, transform them into finished products to export to earn needed foreign exchange with which to buy food and materials needed by the Japanese people.⁶

Trading companies are run for the primary purpose of supporting the core business of selling and buying for a profit and to generate new business opportunities and not for manufacturing purposes. Further, Japanese trading companies are highly diversified as opposed to other specialized trading firms that focus on product groups or geographic areas.

The largest trading companies deal with almost every conceivable product with a worldwide spread of business, gigantic volume of transactions, providing all types of business related services and with a huge command of all types of resources to conduct and expand their businesses.⁷ In other words, trading companies are integrated business institutions that facilitate and promote the flow of goods and services on a global scale.^{8,9}

Take for example some typical lines of business for the Mitsui and Mitsubishi trading companies:

- Export and import and sell all types of commodities
- Wholesalers and/or agents for all types of commodities
- Forestry, lumber milling and wood processing
- Freight, transportation or act as agents
- Insurance
- Warehousing
- Contractors for all types of construction projects
- Acquisition, disposal, leasing or rental of real estate
- Land development
- Development of sources of raw materials and energy resources
- Handle any enterprise connected with any of the above^{10, 11, 12}

How can trading companies stimulate exports?

(Continued on page four)

Trend of Business

National Economy

The leading indicators in April rose by 0.5 percent indicating continued strength in the national economy. Further positive evidence was provided by continued expansion in reported May retail sales as well as a larger than expected 8.8 percent real gross national product growth in first quarter 1984. Though growth continued to be positive signs of some deceleration going into the second quarter are apparent. Most economists view this as being positive if it allays fears of overheating which could result in renewed inflation. For the remainder of 1984 the economy is expected to continue to expand with most full year forecasts reflecting an expected rate of growth of approximately 4.0 to 4.5 percent. The primary source of uncertainty continues to be concern over rising interest rates. Among economists the view appears to be that at least for the summer the rates have peaked. For the fall, no consensus has yet surfaced.

South Dakota Economy

On a seasonally adjusted basis the business indices of economic activity maintained by the Business Research Bureau reflected growth in the income sector. Personal income increased 4.7 percent in the fourth quarter of 1983 compared to the previous quarter. For this same period farm proprietors' income rose a substantial 102.5 percent. However, this index is still well below the high registered in the fourth quarter of 1982 -- reflecting a decrease of 37.6 percent.

The employment sector showed improvement in the first quarter of 1984 compared to a year ago. Non-agricultural

employment increased 2.9 percent. On a seasonally adjusted basis employment in the non-agricultural category decreased 2.3 percent as compared to the previous quarter. For this same period construction employment dropped slightly (-0.4%). Comparing the first quarters of 1983 and 1984 construction employment registered a 10.3 percent gain.

The unemployment rate in South Dakota continued its downward movement. The seasonally adjusted rate of 4.5 percent in the first quarter of 1984 compares favorably to the 5.9 percent rate of a year ago. South Dakota's unemployment rate remains well below the U.S. seasonally adjusted figure of 7.9 percent in the first quarter of 1984.

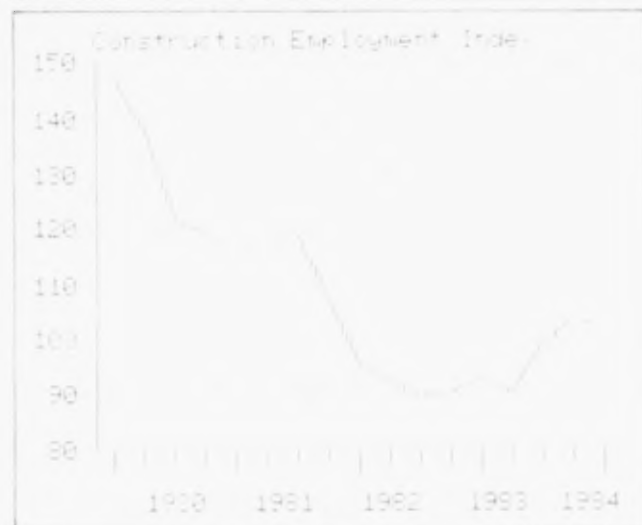
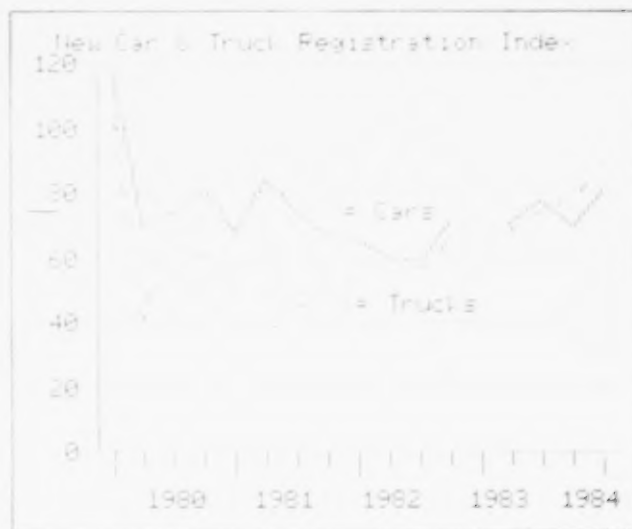
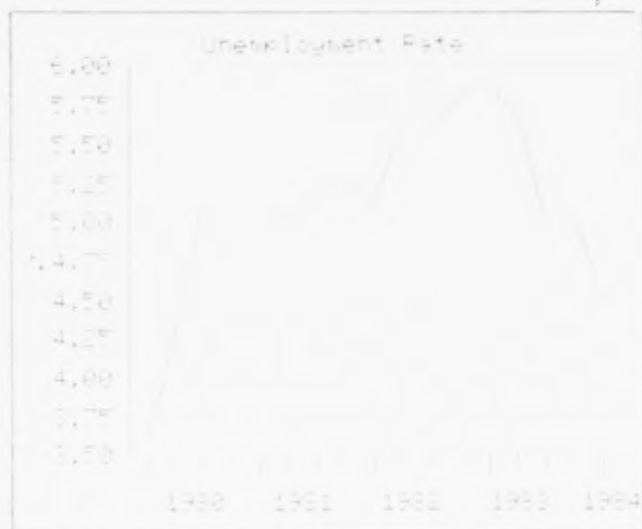
The sale of new cars recovered in the first quarter of 1984 compared to the previous quarter with a 16.3 percent gain. For this same period new truck purchases increased 14.9 percent. New truck sales have continued to rise since the fourth quarter of 1982.

The following table gives quarterly comparisons of the indicators of business activity for South Dakota.

	1983	1982	1981	1980	1979	1978	1977	1976	1975
Personal Income	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Personal Income - Non-Farm	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Personal Income - Farm	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Newly Reported Long-Term	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Newly Reported Short-Term	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
New Trucks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
New Trucks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOUTH DAKOTA BUSINESS & ECONOMIC INDICES

Quarterly Data 1980-1984
Adjusted for Seasonal Variation



Financing

Trading companies (especially Japanese trading companies) have close ties with banks and other financial institutions,¹³ thus the trading companies can borrow very large sums of money on a short and long term basis. Because of the large size of the loans, trading companies are able to obtain funds at lower rates and in more favorable conditions than other customers; those funds are channeled into marketing operations to finance short and long term business activities of buyers and sellers. Long term financing is used for transactions involving capital equipment and for the development of natural resources by private and government enterprises.

Since the late 1970's Japanese trading companies have been forced to make direct investments because of competition with Western multinationals for markets, raw materials and energy resources. That is an area of business that trading companies had previously avoided although the strategy has been to take more minority positions and joint ventures than the Western multinationals.^{14, 15} In the past, U.S. legislation prohibited banking institutions to participate in export trading company ventures; this was a severe obstacle for the promotion of U.S. exports by American trading companies because buyer and seller credit is an important element in the worldwide promotion of exports for both short and long term sales.

The close relationship of the trading company with its banks gives it two important advantages in the promotion of exports:

- Capital to expand operations.
- The ability to make equity investments with suppliers to help them grow and to bond a firm business relationship.¹⁶

Trading companies can easily function on very little equity and a high level of debt because their main function is buying and selling and not manufacturing. For example: Mitsubishi, the least leveraged of the Japanese trading giants had a debt to equity ratio of 9.4 in 1978, this allows trading companies to take very small margins on overall sales, i.e., 0.2% to 0.6%. The return on equity for Mitsubishi was 12% in that same year. Thus the capital structure of the trading companies with a very high level of debt is very important to remain competitive in the worldwide promotion of exports.^{17,18,19}

Marketing

Trading companies are market oriented in contrast to other export companies that are product oriented. U.S. manufacturers that export have been of the opinion that the world will buy what they make but the volume and complexity as well as the competition of international trade has increased dramatically. In many cases trading companies have to buy from their importers before they can sell them anything.²⁰

Trading companies are better suited to promote exports because they are involved in one, two and three way trade, that is, only importing or exporting, importing and exporting from the home country to the rest of the world and importing and/or exporting from third countries that do not include the home country as a source or receiver of the goods or services traded. Additionally, trading companies are involved in barter trade, that is, trading goods or services without the use of money. If goods or services are received in payment, the trading company will find buyers for those in some other part of the World.²¹ All of those unorthodox trading practices give the trading companies much more flexibility to promote exports on a worldwide scale than the traditional way of exporting and the practice of multinational companies of just being engaged in one, or at the most, two way trade with

foreign exchange as the only means of payment.

It was mentioned before that trading companies are different from other specialized trading firms because trading companies are highly diversified instead of focusing on product groups or geographic areas. Most U.S. export management companies, for example, handle only a few products with a rather small sales volume per year, usually with much larger markups than the trading companies.²² Diversification of products and markets permit trading companies to spread risk through multiple World products and markets. The failure of one market or product or losses due to foreign exchange devaluations can be offset by gains in other products, markets and foreign exchange revaluations. Those circumstances give trading companies the competitive edge over other companies to promote exports on a global basis.²³ Trading companies have aggressive pricing policies, it was mentioned before that they are not afraid to cut their profits to a fraction of a percentage point, in contrast to other exporting companies that operate on higher profit margins.²⁴ This gives trading companies a competitive advantage when handling the exports of a country because they are willing to take smaller profits on sales in exchange for larger volume. Additionally, trading companies buy the goods from the manufacturer and sell them at their own risk, if the market prices fall the losses have to be borne by the trading companies. These cannot afford to wait for market recovery because they would have to pay more interest on the money borrowed, thus they dispose of their goods as fast as possible to minimize losses, even if this means that sometimes they sell below cost. In fact, the trading company has shielded the manufacturer from suffering direct losses although this circumstance has led many to accuse the trading companies of "dumping".²⁵

One of the main ingredients that bonds the whole trading company system together is superior information. Information about prices, products, markets, available financing, interest rates, exchange rates, sources of raw materials, freight charges, political events, new economic policies and other relevant information is handled by the large trading houses through a global communications network that includes the use of advanced computers and satellites plus an array of subsidiaries, branches and agencies throughout the World. Trading company employees have immediate information at their fingertips and instantly can link buyer and seller which they can repeat many times every hour, undercutting even the deals other companies put together.^{26,27,28} Further, the communications network is a vehicle for feedback of research and market information that helps the trading company to keep ahead of trends to expand marketing activities for all kinds of products all over the globe.

Management

Japanese trading companies emphasize the achievement of long term objectives even at the expense of short term ones. This is reflected on the low profit margins obtained on sales because trading companies are willing to sacrifice short term profits in exchange for market share. Instead of obtaining high profits on occasional deals they prefer long lasting relationships based on high volume and low margins.²⁹ Additionally, the low profit margins are consistent with the trading companies' long term objective of obtaining a global trade network. Growth and expansion has been the strategy of the largest Japanese trading companies since the mid 1950's.³⁰

What type of employees do trading companies seek? Trading companies like to attract people with a high entrepreneurial spirit; they like people who are problem solving

oriented because trading companies see themselves as problem solvers.^{31,32}

Trading companies consider that the human element is their greatest asset, thus much attention is paid to recruiting efforts every year. Employees are educated to learn the company culture and are trained to be aggressive and creative and to be able to cope with any eventuality. Trading company employees become specialists in the tasks they handle and are expected to learn the language, the history, the customs and characteristics of the cultures of the people in the countries where trading companies operate.³³

Why do trading companies have a role in stimulating exports? Because due to a large volume of transactions the trading companies are able to move goods and services at a much lower cost than any other export institution due to savings provided by economies of scale.

Since trading companies operate on rather small profits relying on high volume, exports handled by trading companies will tend to be more price competitive than exports handled by other organizations. This will lead to a market advantage by gaining market share. Additionally, since trade handled by trading companies is not bound by payments in foreign currencies the possibility of pushing exports to other countries increases by virtue of barter trade, countertrade and third country trade. Furthermore, trading companies tend to have extensive networks of worldwide communication and distribution being able to gather market information more effectively to link demand and supply for any good or service.

Trading companies also act as trade intermediaries, performing every task necessary to insure the smooth flow of goods and services from one country to another. The manufacturer or the provider of the service does not have to worry about anything else but to make the product or provide the service in the most efficient manner. Manufacturers are able to concentrate in providing the product characteristics that trading company intelligence gathering has brought to them.

Trading companies are better suited to promote exports because they provide liberal financing terms to both producers and buyers. Further, by placing the emphasis on long term planning and market share strategy, trading companies are a better vehicle to promote exports because market penetration is easier to attain.

Domestic effects.

Pros.

On October 8, 1982 President Reagan signed into law the Export Trading Company Act of 1982 which allows U.S. companies to operate jointly for the purpose of exporting without being prosecuted for antitrust violations. Additionally, the law permits bank holding companies and bankers banks to own an interest in the new export trading companies.³⁵ Hopefully, the new trading companies organized under this Act will have some of the best characteristics of Japanese trading companies to promote effectively American exports around the world. Trade theories state that there are gains to be obtained from trade and that world output is maximized by allowing the flow of goods and services to cross national borders. If trading companies increase American trade with the rest of the world the U.S. and its trading partners could obtain the economic benefits generated by the increased trade.

It was mentioned before that trading companies generate exports and exports create more jobs; more jobs mean more income; finally people with more income spend more for

goods and services. Therefore, additional exports would help to increase the domestic economic activity in general. It is estimated that more than 25,000 small and medium size companies in the U.S. currently produce goods and services that could be sold competitively in world markets but that due to lack of financial resources and knowledge of export activities, those companies have been unable to export. Trading companies formed under the Act could provide those firms a one stop service to the world market.³⁶ Further, it has been determined that each extra billion dollars of exports generates another 40,000 to 50,000 jobs.³⁷

If American trading companies handle U.S. exports of goods and services, the producing firms could concentrate more in providing a better product or service without having to worry about the marketing and financial problems involved in world exports. This could permit an increase in productivity because of higher specialization in production leading to improvements in the health of the economy.

Increased exports stimulated by newly formed trading companies could also help to reduce the trade deficit that for so many years has plagued the country. Further, the U.S. could increase its participation in rapidly growing economies overseas, particularly the newly industrialized nations (NIC's) by virtue of increased trade.

Cons:

Because of the trading companies' high debt-equity ratio, huge volume of transactions and extended credit to overseas customers the trading company could go broke if the overseas customers failed to pay their debts. This in turn would translate into heavy losses for the banks financing the trading company which ultimately would mean heavy losses to the depositors of those funds.

An identified weakness of the trading company system is that since trading companies operate on borrowed money, doing business in very large scales, they do well in good economic times especially when they can make money in exchange or commodity speculation. Recessions however tend to hurt weaker trading companies even to the point of bankruptcy endangering the position of the banks that loaned the money. Three of the top twenty Japanese trading companies went broke during the 1975 recession because of the mentioned circumstance; one of the companies was Ataka which was the fourth largest trading company in the world at that particular time. After that event, the Japanese Government kept a closer watch on the activities of the other trading companies.³⁸

In the past, trading companies have been accused of engaging in foreign exchange operations that work contrary to the national interest. This is the same type of criticism that has been made against U.S. multinational corporations that occasionally their speculations on foreign exchange has been the cause of dollar crises.³⁹

Another possible negative effect of trading companies increasing U.S. exports is that an increase in exports signifies an increase in demand for U.S. goods and services which if not accompanied by a matching increase in supply, could increase inflation by virtue of higher prices to the local consumers. Finally, a high degree of concentration on the part of the trading companies could arouse negative feelings on the part of the small exporters and antitrust action could be brought upon the trading companies endangering the network of activities already established overseas and the resources of the trading companies owned by equity holders and the banks.

Benefits to Industrial Countries:

Competition of Japanese trading companies with other multinationals has pushed the trading giants into areas of world business that they had previously avoided, direct foreign investments. Also political and economic pressures have made industrial countries react in a more protectionist manner forcing the reluctant trading companies to adopt global investment strategies to protect markets, sources of raw materials and in general, to keep trade flows relatively free of interference. Those investments are welcome by the industrial countries because they have been used to develop energy sources, to set up state of the art plants and equipment and to produce high technology goods. It should be re-emphasized that in making those investments the trading companies are only protecting the core of their business which is buying and selling for a profit. Further, trading companies try to take only minority positions and joint ventures to minimize the level of investment.^{40,41,42}

Trading companies benefit industrial countries increasing their economic activity by virtue of increased trade with the rest of the world. Trading companies develop overseas markets for the industrial countries' high technology products, knowledge intensive services and for plant and equipment goods needed by other industrial countries, newly industrialized countries and less developed nations. In other words, trading companies are important vehicles for technology transfers on a worldwide basis. Trading companies also play a crucial role in increasing and keeping a steady flow of energy resources and raw materials to be utilized in the production processes of the industrial countries.

If trading companies help to increase the level of economic activity of the industrial countries undoubtedly they are contributing to increase the income of those countries and to obtain part of the gains from trade. In general, better utilization of resources would be the end result of increased trade activities stimulated by the trading companies. The best example to illustrate this point is of course, Japan.

Benefits to the Newly Industrialized Countries (NIC's)

Trading companies find markets for the manufactured goods of the NIC's, by engaging in barter trade, third country trade and countertrade. The trading companies help the NIC's to obtain needed foreign exchange to purchase the additional plants, equipment and technology necessary to continue their process of economic development. Countertrade means that the trading company has to buy first from the importing country before it can sell anything. It is not rare that NIC's frequently fall short of foreign exchange to purchase capital goods and technology from the developed nations. Further, since trading companies engage in third country trade, finding markets for the products of the NIC's becomes an easier task.⁴³

Barriers to trade have not been increasing only in the industrial nations but also in the NIC's and the LDC's as well. Many NIC's have insisted that the trading companies that buy their raw materials, establish local processing plants and bring new technology with them. Although the trading companies have secured the supply of raw materials through long term contracts, they have been forced to make equity investments in those countries which increasingly have suspended exports of unprocessed raw materials. This circumstance benefits the NIC's because they receive inflows of badly needed investment capital and technology to further develop their natural resources which would help them to increase industrial output.⁴⁴

If trading companies expand the exports of the NIC's the balance of payments of those countries is bound to improve because of the inflow of badly needed hard currencies, in this case the benefit to the NIC's is obvious.

Benefits To Less Developed Countries: (LDC's)

Labor is a major resource available in the LDC's, in fact it is the source of their comparative advantage in trading with industrialized countries and newly industrialized nations. Trading companies can benefit LDC's by finding markets for their labor intensive goods. Marketing of those goods by trading companies is more efficient because they move very large volumes obtaining economies of scale that the LDC's could not replicate. Further, since trading companies search for customers on a global scale the LDC's would have more assured markets for their products. It would be a nearly impossible feat for an LDC to perform a global market search in the same manner as the trading companies due to lack of financial resources and marketing knowhow.

LDC's can also benefit from barter trade, counter trade and third country trade activities performed by the trading companies because the less developed countries have the worst shortages of foreign exchange of all the countries in the world, in particular the non-oil producing LDC's. Those benefits could not be easily obtained with other types of multinational companies. Also trading companies are increasingly helping LDC's in the development, extraction and distribution of raw materials. Direct investments by trading companies in the LDC's have also taken the form of minority participation and joint ventures. Those investments have been made as a strategy to secure raw materials and energy resources needed by industrialized and newly industrialized nations and to diminish the effect of restrictions on the exports of unprocessed raw materials imposed by the LDC's. It was explained above that increasing exports is a way to increase employment; LDC's are no different from other countries in that respect. LDC's also obtain additional revenues from increased trade stimulated by the trading companies; the LDC's can use the additional revenue to obtain goods, services and technology from more advanced countries. Thus LDC's can also participate in the gains from increased trade stimulated by trading companies.^{45,46,47}

FOOTNOTES

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South Dakota's New Water Development Districts

The South Dakota Legislature, in Special Session on May 3, 1984, passed a "water bill" that will restructure the state's water development institutions effective January 1, 1985. The legislation implements the greatest structural change in these institutions since 1959 when the current conservancy district and conservancy subdistrict system was created.

The legislation creates six water development districts to replace the state's conservancy subdistricts and establishes a procedure for counties to join or withdraw from the new districts as well as create additional districts. The new districts are not intended as project construction entities, but were designed to promote the use of water resources and to encourage the establishment of sponsoring entities including irrigation districts, water user districts, and watershed districts.

The legislation created six water development districts established around broad geographic areas that share common water related problems and goals. The six new districts include East Dakota, James River, West River, Cendak, Southern Missouri, and West Dakota. The James River district will coordinate development along the entire James River in South Dakota while the Cendak district will oversee water development opportunities between the Oahe Reservoir and the James River. The Southern Missouri district includes the Gregory County Pumped Storage Project, the Wheatstone

Source: Office of Water Policy, South Dakota Department of Water and Natural Resources, Pierre, SD.

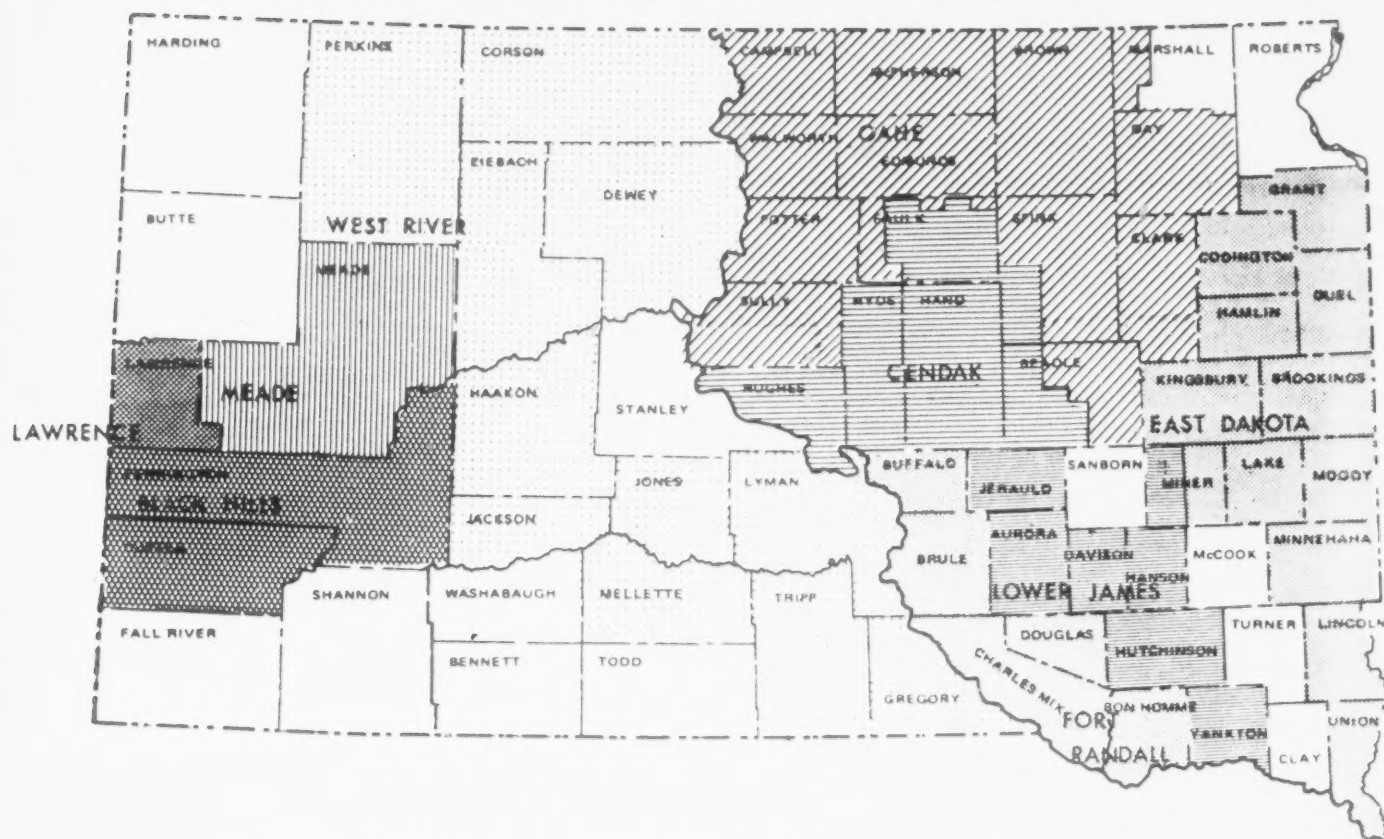
Project, and the Lake Andes-Wagner project. The West Dakota district includes all of Pennington County and will serve the Black Hills area while the East Dakota water development district will continue the activities of the East Dakota conservancy subdistrict.

The key provisions of the legislation are as follows:

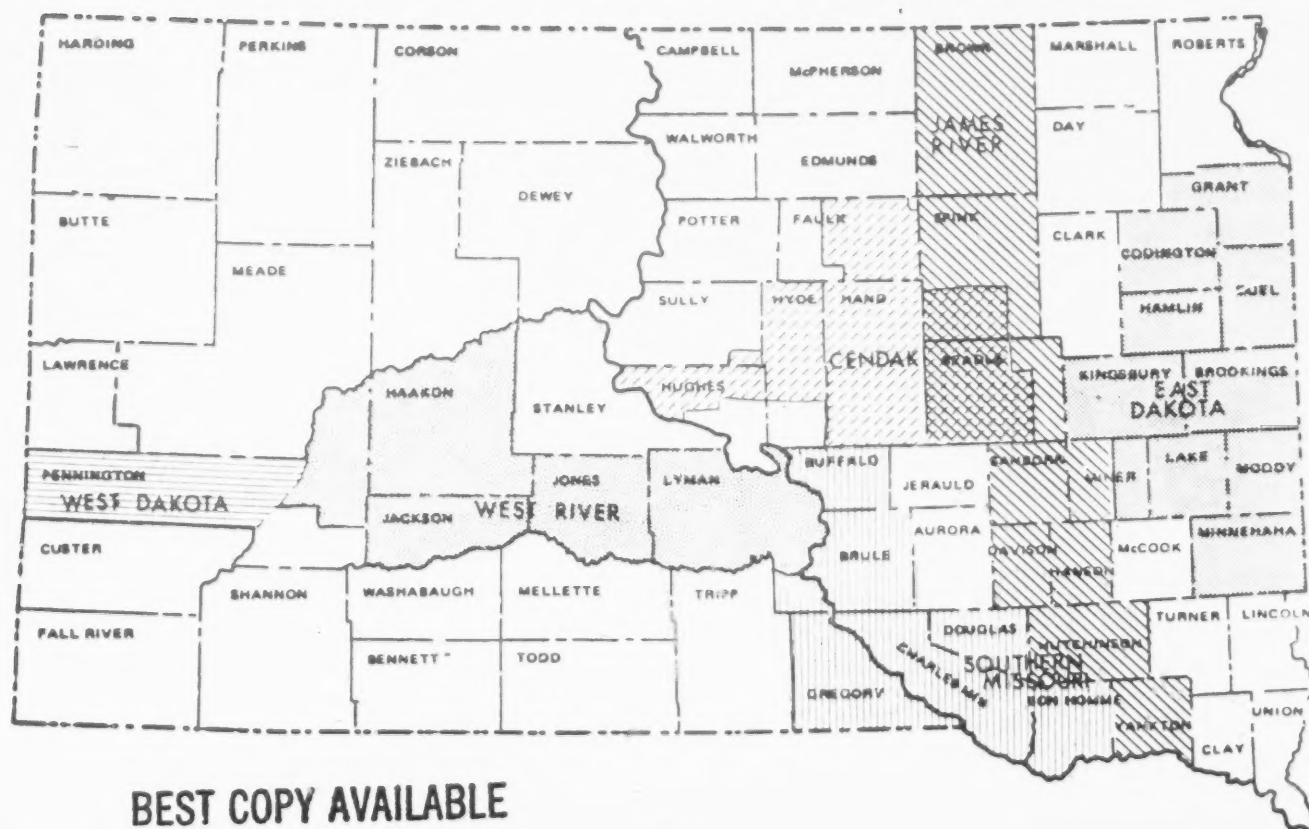
- Formation** — Water development districts are created by the State Legislature or through a local petition and election process.
- Boundaries** — Boundaries are established and adjusted by the Legislature around areas that share a "community of interest", common problems or common resources. In the case of formation by petition and election, petitioners specify boundaries. Counties may join or withdraw from an existing district through a petition and election process.
- Organization** — Districts may have five, seven or nine directors, depending on the population of the district. Directors are elected from rural or municipal director areas, and a 3-2, 4-3, or 5-4 rural director majority must be maintained. Directors are elected to staggered four year terms.

(Continued on page eight and nine)

OLD CONSERVANCY SUBDISTRICTS



NEW WATER DEVELOPMENT DISTRICTS



BEST COPY AVAILABLE

(Continued from page seven)

Taxation and Finance —

A district may levy general taxes not to exceed the lesser of \$200,000 or 1/2 mill on each dollar of taxable property in the district, and may accumulate money in a capital reserve fund. Unlike subdistricts, a water development district may not incur general obligation debt; districts are restricted to year-to-year operating budgets. A district may make special assessments against real property specially benefitted by a project, provided that at least two-thirds of the persons to be assessed have consented to the special assessments as a means of providing local funding.

Operating Powers —

Water development districts have the normal operating powers held by other special purpose districts, including the power to sue and be sued, the power to acquire and dispose of property, the power of eminent domain, the power to enter into contracts, the power to employ staff and operate an

office, and so on. A district may not construct projects unilaterally, however.

Dissolution — A water development district may be dissolved by petition and election.

The Administration's intent in proposing the legislation was to:

- Provide an institutional framework sufficient for developing South Dakota's priority water projects and to coordinate other water development efforts;
- Allow flexibility to pursue future water development efforts that are as yet undefined.
- Clarify the role and purpose of water districts at the regional level and create a flexible system for adjusting to new situations as needs change;
- Allow the state to take firm action to move ahead with water development, rather than merely tinkering with the old system; and
- Provide a statewide and regionwide perspective for coordination of water development, while retaining local control over district finances and operations.

South Dakota Labor Market Model Forecast Highlights

The latest South Dakota Labor Market Model forecasts continue to forecast an expanding economy in South Dakota throughout 1984. For the year, real personal income is ex-

pected to grow at a 4.0 percent rate, while total employment is projected to grow at 1.9 percent. Nonagricultural employment is projected to grow 3.9 percent, while manufacturing employment is expected to grow at a rapid rate of 10.2 percent. The South Dakota unemployment rate will average 4.8 percent in 1984, well below the 5.5 percent rates of 1982 and 1983.

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SOUTH DAKOTA LABOR MARKET MODEL

SELECTED ECONOMIC INDICATORS

DESCRIPTION	1982.4	1983.1	1983.2	1983.3	1983.4	1984.1	1984.2	1984.3	1982	1983	1984
SOUTH DAKOTA INDICATORS											
PERSONAL INCOME (MILLIONS)	6945.0	6856.0	6937.0	6987.0	7229.1	7356.2	7556.2	7726.2	6675.0	7002.3	7645.7
(% CHANGE)	24.6	-5.2	4.7	2.9	13.6	7.0	10.7	8.9	4.7	4.9	9.2
PERSONAL INCOME (1972 \$)	3323.0	3263.2	3264.5	3254.3	3343.7	3354.4	3399.1	3426.2	3251.3	3291.7	3412.9
(% CHANGE)	20.5	-7.3	0.2	-1.2	10.8	1.3	5.3	3.2	-1.0	0.9	4.0
NONFARM PERS. INC. (MILLIONS)	6188.0	6263.0	6398.0	6530.0	6683.9	6773.9	6940.4	7064.6	6055.5	6468.7	7002.4
(% CHANGE)	7.4	4.8	8.6	8.2	5.1	9.7	7.0	5.2	6.8	8.3	9.3
NONFARM PERS. INC. (1972 \$)	2960.8	2981.0	3010.8	3041.5	3091.4	3088.9	3122.1	3132.9	2949.6	3031.6	3125.7
(% CHANGE)	3.4	2.7	4.1	4.1	6.5	-0.6	4.3	1.3	-0.6	2.8	3.1
WAGE & SALARIES (MILLIONS)	3151.0	3207.0	3284.0	3350.0	3442.2	3522.0	3617.5	3678.7	3088.7	3320.8	3644.1
(% CHANGE)	7.7	7.0	9.5	8.0	10.9	9.2	10.7	6.7	3.3	7.5	9.7
WAGE & SALARIES (1972 \$)	1507.7	1526.4	1545.4	1560.3	1592.1	1606.0	1627.3	1631.3	1504.5	1556.3	1626.7
(% CHANGE)	3.7	4.0	4.9	3.8	8.1	3.5	5.3	1.0	-2.4	3.4	4.5
FARM INCOME (MILLIONS)	772.0	609.0	555.0	474.0	562.6	599.5	633.2	679.0	633.2	550.1	660.8
(% CHANGE)	172.5	-83.3	-31.5	-52.8	60.0	25.5	20.5	25.8	-0.6	-13.1	20.1
FARM INCOME (1972 \$)	369.4	289.9	261.2	220.8	260.2	273.4	284.9	301.1	308.5	257.8	295.0
(% CHANGE)	168.5	-85.4	-36.0	-56.9	57.2	19.8	15.1	20.0	-4.9	-16.4	14.4
TOTAL EMPLOYMENT (THOUSANDS)	305.0	293.2	319.2	329.8	314.9	301.5	327.6	330.6	310.0	314.3	320.4
(% CHANGE YEAR-OVER-YEAR)	-2.2	-0.2	0.4	2.0	3.2	-2.8	2.6	0.2	-2.5	1.4	1.9
NONAG. EMPLOYMENT (THOUSANDS)	230.4	224.2	233.8	235.5	236.9	232.4	243.1	245.7	230.2	232.6	241.6
(% CHANGE YEAR-OVER-YEAR)	-2.8	-0.5	0.1	1.7	2.8	-3.6	3.9	4.2	-2.7	1.1	3.9
MANUFACTURING EMPLOYMENT	24.4	23.9	25.2	26.6	27.0	27.2	27.9	28.7	25.0	25.7	28.3
(% CHANGE YEAR-OVER-YEAR)	-7.1	-5.4	-0.5	5.7	11.0	13.5	11.0	7.7	-3.2	2.6	10.2
UNEMPLOYMENT RATE (%)	5.6	7.0	5.5	4.5	4.7	5.6	4.5	4.2	5.5	5.4	4.8
U.S. INDICATORS											
REAL GNP (1972 \$)	1480.7	1490.1	1525.1	1553.4	1571.9	1592.3	1600.5	1619.2	1485.4	1535.1	1612.3
(% CHANGE)	-1.3	2.5	9.3	7.4	4.7	5.2	2.1	4.6	-1.9	3.3	5.0
GNP DEFLATOR (1972 = 100)	210.0	212.8	214.6	216.4	218.7	221.7	224.8	228.2	206.9	215.6	226.7
(% CHANGE)	3.8	5.4	3.2	3.5	4.1	5.5	5.6	6.0	6.0	4.2	5.1
PERS. CONS. DEF. (1972 = 100)	209.0	210.1	212.5	214.7	216.2	219.3	222.3	225.5	205.3	213.4	224.0
(% CHANGE)	4.0	2.1	4.5	4.1	2.8	5.7	5.4	5.7	5.8	3.9	5.0
CONS. PRICE INDEX (1967 = 100)	293.4	293.2	296.9	300.5	303.1	307.5	312.1	316.8	289.0	298.4	314.6
(% CHANGE)	1.5	-0.3	5.0	4.8	3.4	5.8	5.9	6.0	6.1	3.3	5.4
UNEMPLOYMENT RATE (%)	8.3	7.7	7.6	7.7	7.8	7.9	7.8	7.8	8.5	7.7	7.8
TREASURY BILL RATE (91 DAY)	13.7	14.4	14.8	15.1	12.0	9.2	9.3	9.0	11.6	14.1	9.3

SOUTH DAKOTA INCOME AND EMPLOYMENT

TOTAL PERSONAL INCOME
United States, Plains Region and States
Fourth Quarter 1982-Fourth Quarter 1983
(Millions of Dollars, Seasonally Adjusted at Annual Rates)

	1982	1983				% Change
	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	4th Qtr. 1983 4th Qtr. 1982
United States	2,625,190	2,647,192	2,703,256	2,752,504	2,824,210	7.6
Plains	191,934	189,281	193,318	196,410	204,408	6.5
Iowa	32,243	30,722	31,579	32,277	33,777	4.8
Kansas	28,959	28,971	29,391	29,805	30,916	6.8
Minnesota	47,454	46,926	48,235	48,323	49,910	5.2
Missouri	51,482	51,817	52,831	54,230	55,654	8.1
Nebraska	17,283	16,767	17,018	17,389	18,720	8.3
North Dakota	7,509	7,458	7,582	7,540	8,315	10.7
South Dakota	7,004	6,620	6,681	6,748	7,116	1.6

Note: Detail may not add to totals because of rounding

Source: U.S. Department of Commerce, Bureau of Economic Analysis

SOUTH DAKOTA NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT March 1984 and March 1983 (In Thousands)

				Average Weekly Hours		Average Hourly Earnings	
	Mar. 1984	Mar. 1983	Change	Mar. 1984	Mar. 1983	Mar. 1984	Mar. 1983
Total Employment	231.8	225.6	2.7				
Mining	2.5	2.4	4.2				
Construction	6.5	6.0	8.3				
Manufacturing	26.8	24.1	11.2	41.9	40.4	7.00	7.48
Durable Goods	14.0	12.0	16.7	41.1	39.7	6.90	7.05
Fabricated Metals & Mach.	9.3	7.5	24.0				
Nondurable Goods	12.8	12.2	4.9	42.9	41.0	7.11	7.88
Food & Kindred Products	7.3	7.5	-2.7				
Paper, Printing and Publishing	2.6	2.5	4.0				
Transportation & Pub. Utilities	12.2	12.2	.0				
Transportation	6.9	6.8	1.5				
Communication & Pub. Utilities	5.3	5.5	-3.6				
Wholesale & Retail Trade	61.1	59.5	2.7				
Wholesale Trade	16.5	15.9	3.8				
Durable Goods	7.2	7.0	2.9				
Nondurable Goods	9.4	8.9	5.6				
Retail Trade	44.5	43.7	1.8				
Finance, Insurance & Real Estate	12.6	12.1	4.1				
Services	51.9	51.6	.6				
Hotels, Amuse., Pers. & Business	12.6	12.4	1.6				
Medical & Health	21.6	22.0	-1.8				
Educational, Membership & Social	14.9	14.4	3.5				
Government	58.3	57.6	1.2				
Federal	10.3	10.2	1.0				
State	16.2	16.0	1.3				
State Education	8.4	8.2	2.4				
Local	31.8	31.4	1.3				
Local Education	19.1	18.7	2.1				

Source: South Dakota Department of Labor, "Labor Bulletin"

SOUTH DAKOTA AGRICULTURAL INDICATORS

PROSPECTIVE PLANTINGS South Dakota-February 1984 (1,000 Acres)

	Acreage Planted 1982	1983	Intentions 1984
All corn	3,300	2,350	3,100
All sorghum	480	400	520
Oats	3,450	3,000	2,200
Barley	560	540	630
Soybeans	820	950	1,040
Flaxseed	240	110	120
Durum wheat	150	80	130
Other spring wheat	2,400	1,450	1,800
All sunflowers	625	475	470
All hay	4,350	4,040	4,200

Source: SD Crop & Livestock Reporter

PRICES RECEIVED BY FARMERS FOR COMMODITIES--SOUTH DAKOTA March 1983 and March 1984

Commodity and Unit		Base Period Price 1910-1914 Average	Mar. 1983	Mar. 1984	Mar. 1984 Price as % of Base	Mar. 1984 Price Above or Below Mar. 1983
Wheat	Bu.	.85	3.48	3.66	431	5.2
Corn	Bu.	.51	2.53	3.05	598	20.6
Oats	Bu.	.35	1.41	1.67	477	18.4
Barley	Bu.	.59	1.77	2.45	415	38.4
Flaxseed	Bu.	1.68	4.69	6.94	413	48.0
Milk, whst.	Cwt.	1.82	NA	NA	--	--
Eggs	Doz.	.196	NA	NA	--	--
Cattle	Cwt.	5.24	61.00	62.30	1,189	2.1
Calves	Cwt.	6.08	68.20	67.30	1,107	-1.3
Hogs	Cwt.	7.07	50.50	45.20	639	-10.5
Sheep	Cwt.	4.24	21.00	15.60	368	-25.7
Lambs	Cwt.	5.66	62.10	57.00	1,007	-8.2
Wool	lb.	.178	.45	.68	382	51.1

Source: South Dakota Crop & Livestock Reporter, April 12, and May 10, 1984

SOUTH DAKOTA LOCAL CONDITIONS INDICATORS (Percentage Change Like Period Previous Year)

City	Taxable Sales - Jan.-Feb. 1984 (\$000s)			Telephone Services ¹	Housing Starts ²	Postal Indicator ³	Employment ^{*1}
	Total	Retail	Services				
Aberdeen	30,531	20,397	4,751	1.8		1.6	1.0
Belle Fourche	4,282	2,999	788	0.3	39.8		0.9
Brookings	15,455	10,459	2,109	NA	951.5	- 4.7	0.9
Canton	1,667	1,222	342	0.6			0.3
Chamberlain	2,645	1,936	382	2.0			-0.3
Deadwood	2,622	1,852	728	-0.4			9.2
DeSmet	1,216	726	NA	-1.2			2.4
Elk Point	920	391	203	-1.5			-3.5
Huron	13,680	10,027	1,850	0.2		- 8.6	--
Lead	3,818	1,234	194	-1.9			9.2
Madison	5,310	3,946	626	1.5			1.6
Milbank	5,179	3,588	595	--	-62.6		1.6
Mitchell	16,277	12,252	1,797	0.5		10.6	--
Mobridge	3,998	3,075	590	0.9			-2.2
Pierre	13,516	8,738	2,375	2.7	29.8	-32.7	1.1
Rapid City	68,168	46,413	11,891	5.0	1116.6	17.7	7.9
Redfield	2,761	1,856	271	-0.3			-1.0
Sioux Falls	115,500	75,913	19,691	3.7	250.5	26.7	6.7
Sturgis	4,118	3,153	711	3.3			6.8
Tyndall	941	614	116	-1.1			-0.2
Vermillion	6,309	4,498	656	0.8			--
Watertown	21,538	13,579	2,683	2.5	237.6	6.8	3.3
Webster	2,851	1,571	274	-0.1			1.7
Wessington Spgs.	1,048	619	75	-0.6			7.1
Winner	4,614	3,544	457	2.7			-1.1
Yankton	14,754	11,721	2,029	0.8		-38.0	1.4

¹Percentage change for March 1983 and 1984. Telephone data are for the number of access lines in service.

²Housing starts, percentage change for first three months of 1983 and 1984. Data reported are for the value of housing starts.

³Postal Indicator, percentage change for the first quarter 1983 to first quarter 1984. Included in postal indicator are: postage stock sales, printed stamped envelopes, postage meters for customers, permit imprint postage (3rd class regular), and second class postage.

*Based on County Data.

SOUTH DAKOTA Business Review

BUSINESS RESEARCH BUREAU
SCHOOL OF BUSINESS
THE UNIVERSITY OF SOUTH DAKOTA
VERMILLION, SOUTH DAKOTA 57069

CONSUMER PRICE INDEX*

United States
Jan.-Mar. 1984
(1967=100)

Item	Jan.	Feb.	Mar.	Unadjusted % Change Jan.-Mar. 1984
All Items	305.2	306.6	307.3	0.7
Food & beverages	292.5	294.2	294.3	0.6
Food	300.2	302.1	302.2	0.7
Alcoholic beverages	219.9	219.9	220.7	0.4
Housing	329.6	331.0	331.5	0.6
Shelter	353.0	354.0	355.5	0.7
Renters' Cost	105.7	106.0	106.5	0.8
Homeowners' Cost	104.9	105.1	105.6	0.7
Fuel & Other Utilities	378.2	383.0	380.1	0.5
Fuel	473.2	479.6	475.2	0.4
Fuel oil, coal & bottled gas	637.7	688.6	660.0	3.5
Gas (piped) & electricity	431.9	429.0	429.5	-0.6
Other Util. & Pub. services	224.6	228.0	227.4	1.2
Household furnishing & operation	241.3	240.4	241.2	-0.1
Apparel & upkeep	199.0	196.2	198.8	-0.1
Transportation	306.7	305.8	306.9	0.1
Private transportation	301.7	300.8	301.9	0.1
Public transportation	378.2	377.4	377.4	-0.2
Medical care	368.6	373.2	374.5	1.6
Entertainment	250.9	251.5	251.7	0.3
Other goods and services	299.8	301.5	302.1	0.8

*Consumer Price Index for all Urban Consumers

Source: Bureau of Labor Statistics, U.S. Dept. of Labor